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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2055

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USSR-YUGOSLAV TRADE RESULTS, PROSPECTS ASSESSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Sep 80 p 3

[Article by Obrad Ignjatovic: "Every Effort Will Bring Improvement"]

[Text] Yugoslav-Soviet economic cooperation is steadily expanding and becoming more solid. In the current 5-year planning period it has become more diverse and there is a stronger orientation toward longer-range transactions, above all in the fields of machinebuilding and power machinebuilding, shipbuilding, production of transportation equipment, fuel and energy projects and other sectors. This has also helped to broaden the volume of cooperation appreciably and to find new products for exchange and new forms of cooperation. The results achieved are important and constitute the best confirmation that there are opportunities for both sides and also an interest in further expansion of cooperation. This judgment was expressed at the last meeting of the joint intergovernmental committee for economic and scientific-technical cooperation, and it is confirmed by the datum that the value of trade will not be $14.5 billion, which was agreed on for the current 5-year period, but about $17 billion. This success is the result of the needs of the economies of the two countries, but also of the activity of business executives and government institutions, who were very interested in the further advancement and expansion of cooperation in the period to come, a period for which the framework of cooperation is being prepared, and this particularly applies to the long-range forms of cooperation.

Good Prospects for Augmented Cooperation

In the current 5-year planning period Yugoslav machinebuilding and power machinebuilding developed their capacities, and in the coming 5-year period they will be able to deliver to Soviet trading partners twice as many products as in this period. But in the current 5-year period $400 million worth of metallurgical, coking and other equipment were exported from Yugoslavia to the Soviet Union. This means that this value could be doubled, and therefore activity of business executives of the two countries is oriented toward finding products in which there is a mutual interest.

The export of equipment for fuel and power projects, construction and shipbuilding, construction, transportation and other sectors also offer good opportunities for augmenting trade.

The Belgrade export-import organization Centrotekstil is the largest exporter of textiles, leather products and products of other materials. During a visit to Moscow our correspondent recently visited the branch office of this organization and talked to the director Aleksandar Vidanovic about the volume of trade and future possibilities.

"The volume of trade has been growing steadily. Last year we delivered $390 million worth of goods to Soviet customers from Yugoslavia, and this year deliveries worth $500 million have been contracted for. We are exporting to the Soviet Union men's and women's street shoes, sewn garments and knitwear, and articles made of leather, artificial leather and other materials. These are, then, consumer goods, and in this way we are making a substantial contribution to equalizing the trade balance. We are importing from the Soviet Union considerably less than that, mostly cotton, raw cattle hides and fur. The volume of these exports can best be seen if we mention that we will deliver to Soviet customers this year 11 million pairs of footwear. Even by these larger exports we have not altogether utilized all our opportunities," director Vidanovic said, supporting this as follows:

"Our export of footwear, though large, has a share of only 17 percent in total imports of the Soviet Union, the share of our knitwear is 10 percent, and the share of our garments only 4 percent. The Soviet market's needs for these products are large, and in coming years we can supply it more abundantly, provided, of course, that we organize ourselves better and are competitive, which is rather difficult to achieve. When I say that we will be better organized, I have in mind the attempts of certain of our organizations to disrupt the unified and organized effort on this large market."

The Success of the Youngest Exporter

The Pristina export-import organization Eximkos has had the shortest experience on the Soviet market. Though the representative office has been in existence for only 2 years, its director Hilmija Hasanagic says that favorable experience has been gained in cooperation, though there are also problems. Nevertheless, there are ever fewer problems, and business is improving.

"We have gotten to know our trading partners and the market, at a time, to be sure, when difficulties are arising because of our country's pronounced trade deficit. We are exporting nonferrous metals and storage batteries to the Soviet market. The volume of trade is steadily growing, but our imports from the Soviet Union are larger than exports, and therefore our first task is to improve their position in foreign trade. This will not be easy, of course, since our organization is also an importer of equipment and complete plants for the province of Kosovo," director Hasanagic pointed

out and explained in more detail that metal fabrications and equipment for mines and the ferronickel smeltery are being imported for a project being done in cooperation with specialists from the Soviet Union and with credit from that country.

In the Eximkos office we also met Milosav Mojsilovic, commercial director of Trepca for many years, who is representing in the USSR that large firm, along with others, at a shorter distance.

"Trepca's products are storage batteries, industrial batteries and a wide range of other products of nonferrous metals; they are in ever greater demand, and we are striving to increase our exports of finished products or semifinished products and to reduce our deliveries of metal. In recent years the Trepca combine has built large manufacturing capacities. It is our intention, then, to sell the largest possible amounts of products in a higher phase of manufacturing," Mojsilovic indicated, emphasizing that all the conditions exist for delivering $80-100 million of Trepca's products to the Soviet market in coming years. Talks about expanding cooperation, especially with the automobile industry and industrial enterprises, are under way and it is right now in fact that the framework is being examined and established for trade over the coming 5-year period.

Complete Projects

Kosovo's needs are also great as to imports of raw materials, equipment, technology and fuel and power facilities and construction of mines and complete industrial plants.

Hilmija Hasanagic, director of the Eximkos representative office, says that Soviet specialists are the designers of the program of the smeltery for making ferronickel. They will provide the technology and train specialized personnel to work in this facility, which should make a new contribution to faster development of Kosovo. Under the agreement they will be responsible for running in not only the Soviet part of the equipment and technology, but also the equipment purchased from three western countries.

"This project is a good example of cooperation between Yugoslav and Soviet specialists with respect to finding and providing the most appropriate equipment and technology. It actually involves a combination of Soviet advances and advances of the advanced western countries," director Hasanagic said.

Representatives of other Yugoslav manufacturing and import-export organizations are also making efforts to find projects in which there is mutual benefit and for which there is a demand in order to create conditions for further expansion of cooperation and to augment the volume of trade. There are quite a few ideas, suggestions and possibilities, and all of this is now under consideration. Taking advantage of them should result in restoring the equilibrium in the balance of payments, which now, because of Yugoslavia's deficit, is causing quite a few difficulties. That is why every new export effort makes things easier, and is at the same time a contribution to fulfilling the ambitious plan for cooperation.

ACUTE SHORTAGE OF BUILDING MATERIALS DEPICTED

Sofia RABOTNICHESKO DELO in Bulgarian 30 Aug 80 p 2

[Letter to the editor by Petko Ivanov: "Black Worries for White Lime"]

[Text] I needed lime and sand to make some repairs to my home. I went shopping from store to store. It took me several days just to find out where to buy what I needed. It turned out that the lime kilns in some of the storehouses were empty; in others, they were full but one had to wait for the lime to set and they were going to sell it in 2 or 3 days. When I went there on the exact day, what do you think I saw: crowds, cars, wagons. The customers had already taken up position at the break of day. They were scooping the lime out, filling kettles, nylon bags, buckets, transporting it in Ladas, Moskoviches, wagons, dump trucks and what not.

I inquired at the Georgi Kirkov taxi service but it turned out that dump trucks were available only with a permit in advance. And by the end of the day the lime kiln was cleaned out and I remained empty-handed but at least I knew what to do from there on.

I made my own investigation which day they were going to have lime again and ordered a car for that day. But this time again fate was against me since they had opened the kiln 1 day in advance.

Customers Racing Against Each Other

There was no lime, no sand. I asked for assistance at the "Fuel" city enterprise. They suggested that I buy ready-mixed mortar. Wonderful! Nothing better than that! I was enchanted that the leadership had taken measures to ease the lot of the citizens. Early in the morning of the following day I went to Oborishte storehouse to get the permit. It turned out that I had overslept. It was only 0700 and it was already late.

Whoever needs a permit must be there early in the morning and the people arrive at midnight. Dressed warmly, they bring their blankets and spend the entire night in front of the door. At about 0730 they are ready and get set in front of the door. The custodian opens the door and a very

unusual race takes place. Young and old, women and men race as fast as they can to the window where permits are issued. You cannot imagine the humiliating picture, you get sick at heart.

But, first come first served. You need strong legs and, in the small corridor next to the window, strong elbows as well.

This painful experience is quite often useless. Useless because the news coming from the window is usually bad: "The machine is out of order, we are not giving any mortar today." "We have not received any sand." "The freight car with the bricks has not arrived yet."

Anyway, it took me 2 weeks to get the permit which gave me the right to buy some mortar. With the permit tucked in my pocket, I went to Slatina concrete center. Again waiting. Waiting is a way of life. The driver of the taxi I had obtained went in the morning so-to-say somewhere nearby and was supposed to be back right away but by noon he was still not back. Who knows where he disappeared to.

The mechanic only worked till noon. The shaft was clogged, he said, there was nobody to clean it. He took his hat and left. And what could we do but go home as well. Well, tomorrow was another day.

I arrived early the following day. Work had started but the machine was again out of order. The shaft was not cleaned either. We took the shovels to help and spared no muscle so that the work could go on and not waste one more day. But, it turned out that our permits were not valid. They were valid only for Friday. That day the orders of some other people were to be filled. And what about ours?

"You have lost your right but you will receive your money back and will have to start from the beginning, in line again."

"But it's not our fault," we argued with the center manager, Comrade Genchev.

"It doesn't matter. That's the order."

Once again wasting time, once again sleepless nights and racing and pushing in front of the permit window.

A Strange Way To Dip Into the Customers' Pockets

According to the rules we had to go to the automobile depot in Malashevtsi to get our money back for the invalidated permits. But this was not easy either. We again waited in line at two windows to obtain three signatures so that the teller could give us the money. But not all of the money.

"Why?" I asked one of the employees.

"That's how the instruction reads. You did not show up on time. The driver had to wait, the enterprise lost money because of you."

"You are wrong."

As a proof the employee showed me a piece of paper with some scribbles on it, supposedly the signatures of two witnesses certifying that I had been late at the concrete center. Neither the names of the witnesses nor their addresses were legible. And this they call a document! I wonder how the managers of the automobile depot accept such forgeries which are the basis on which the customers are robbed.

Citizen Misho Takov had 10 leva deducted from his receipt even without any document because the driver had made a trip to the concrete center. The driver, however, had not driven to the concrete center specially for him. Until noon the driver apparently had transported mortar for other people. And second, was it the fault of the customer that the machine was out of order and that work had to stop. The "Fuel" enterprise should bear the responsibility for it. And if damages were incurred the enterprise should be liable. Why do they skin the customer for everything? In this case the customer had incurred damages. He had wasted days and days, spent nights at the stores, had not received the building materials, had not been able to transport it and, to top it off, they dip into his pocket.

The party and the government try to improve the services of the people. This was stressed in the decision of this year's 30 July Plenum of the BCP Central Committee. The ministeries, departments, okrug people's councils and economic organizations have the duty to fulfill the tasks stipulated in the report of Comrade Todor Zhivkov made in Ruse on 20 May of this year.

It is obvious from these incidents that some departments do not work yet according to the new requirements. Many working people spend their vacations in the warehouses, miss work, violate the set discipline and waste precious time in seeking building materials. Are you aware of this, Comrade Kuncho Dedev, chief of the Fuel and Building Materials Economic Directorate, and you, Comrade Teodosi Petrov, chief of the Fuel and Building Materials City Enterprise? Why are services so poor? Isn't there a way to resolve this problem? It cannot go on like this. A great part of the housing fund of the country consists of houses belonging to the citizens and these houses should be kept in good condition, should be nice and warm, and cozy, and our towns and villages should be beautiful. But for this we need building materials.

Nature has given us plenty of stone, lime, and sand. One needs only organization, initiative and efficiency to supply the people with building materials. And this must be done as fast as possible since fall is coming soon and winter is right behind it.

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BRIEFS

FIRE DAMAGE REPORT--During this year's harvest in Slovakia there were 53 fires, which caused damages of more than kcs 1 million. This is 13 fires and kcs 200,000 more than last year. The fires destroyed 47,000 quintals of straw and 2.5 hectares of unharvested grain. During the harvesting and storage of fodder, the fires caused damage worth more than kcs 2.5 million, and 23,000 quintals of dry bulk fodder were burnt. [AU221743 Bratislava PRAVDA in Slovak 19 Sep 80 p4 AU]

CSO: 2020

ROLE OF PRICE POLICY IN ATTAINING ECONOMIC GOALS DISCUSSED

Budapest KOZGAZDASAGI SZEMLE in Hungarian No 7-8, Jul-Aug 80 pp 831-841

[Article by Bela Csikos-Nagy, chairman of National Material and Price Office]

[Text] The role of price policy in the planned development of the socialist economy may be defined in a number of ways. The way in which this question is resolved also determines the means used to coordinate the plan with the market, since the price function is an organic part of the market mechanism. Socialist production is possible when the state relies on the market in the management of the economy; it is also possible when state policy aims to narrow the market. Within the framework of socialist property relationships, the choice of methods is largely a matter of government deliberation. This is one of the factors in determining the extent to which the economy can develop at an optimal pace.

Defining the role of price policy raises a number of complicated questions. This is the result of the hierarchical system of autonomous goals of economic policy. The various phases of various production sectors and the relationships among them are specific instances of the relationship between ends and means. Social production is a single integrated process in which every product is an end from the standpoint of the preceding production phase and a means for the next phase. At the same time, all products are means of future and present consumption. The question is: what should be the organizing principle that regulates the structure of production? Reference to state planning alone does not provide an answer to the question. In this case, a further question must be answered: what are the criteria governing state planning? These may be quantitative or qualitative. In the former case, they ensure the equilibrium of the system of product balances with a view toward technical relationships. In the latter case, balance is achieved with a production structure associated with economic efficiency. In the former case, price serves the structure; in the latter, it provides guidance for it.

Until 1956, our economic policy followed the former direction; after 1956, the latter. The turning point was founded on a new economic policy. In agriculture, compulsory planting plans and product deliveries were eliminated

in 1957. This meant that the purchase price turned from a structural adaptive mechanism into a structure forming mechanism by relying on financial processes. In non-agricultural sectors, the activation of a price function was indicated in 1957 by the introduction of enterprise wage management and profit sharing. The fundamental change occurred in 1968 with the economic reform that abolished fixed product turnover, expanded self-financing of enterprises and changed the system of fixed prices to a mixed price mechanism. This trend was reinforced by the 1980 changes in economic regulators.

The Origins and Aims of the 1980 Price Reform

The MSZMP Political Committee established working committees in 1976 to analyse a number of topical economic policy issues. A reexamination of economic policy was made necessary by the changes in the conditions of the international division of labor and, in particular, the increasingly difficult conditions for economic growth. The party adopted, in the wake of the proposals of the working committees

--a resolution in 1977 on long range foreign trade policy and an efficient transformation of the production structure;

--a resolution, in 1979, on the guidelines for the long range development of the price system.

The party resolution outlined the long range development directions of the price system in five points. Briefly, they were as follows:

a) Establishing an organic connection between domestic and world market (foreign trade) prices in order to place heavy costs, promote above average development of efficient production activities and the resulting change toward a more efficient production structure for our national economy.

b) Restoration of a two-tier price system; to this end, the creation of a price system where a substantial portion of net social income is generated through turnover taxes on consumer goods.

c) Changing the net income structure of producer prices in conjunction with the establishment of a two-tier price system; elimination of the charge on assets, reduction of wage taxes calculated in producer prices as well as reduction of the general level of asset-related profits derived from producer prices.

d) Long range development of the consumer price system in a direction conducive to the emergence of a socially advantageous consumption structure and a more stable equilibrium between supply and demand, by providing a suitable basis for the development of production.

e) Increasing the flexibility of the price system in order to ensure that prices reflect changes in foreign trade prices and the judgment of the domestic marketplace.

Those who agreed with the guidelines of long range development of the price system also emphasized, in general, that these principles must be utilized to the maximum extent in the course of the 1980 price reorganization. The 1977 party resolution on the guidelines for foreign trade policy and development of the production structure also pointed to the urgency of a price reorganization to ensure that prices play a suitable role in governing rational economic decisionmaking. Its timing was set for 1980 by the party resolution regarding the price reorganization due to the amount of work necessary for preparations.

The 1980 price reorganization and the simultaneous introduction of a new price mechanism took place in order to provide the foundations for the strategic goals of the Sixth Five-Year Plan.

Accordingly, our price policy for the 1981-1985 period must ensure that prices

--act to rationalize the structure of consumption, primarily by following producer prices in a more consistent manner;

--enforce conservation of energy and raw materials and encourage activities aimed at the exploration of domestic natural resources, including secondary raw materials;

--provide maximum incentive for economic operations that are considered efficient in foreign markets, for improving foreign trade prices and the terms of trade; contribute to the growth of economic exports and rational capitalist import substitution within the total system of direction and regulation;

--provide guidelines for economic decisions and structural transformation, not just on the day of price reorganization but in the process of price information.

These requirements can only be met if prices can flexibly adapt to world market price relationships. We must be able to accomplish such an adaptation while being mindful of our policy on living standards and relative price stability.

We are now in a position to put such stringent requirements on the price function because price policy is increasingly becoming an organic part of a consistent economic direction that is based on the laws of production. Price policy had a favorable beginning because the outflow of domestic purchasing power began to be restricted in recent years. An effort to prevent overheating of demand will continue to be one of the basic features of economic policy.

From the standpoint of the operational capability of the new price mechanism one very important fact is that, in addition to strengthening the equilibrium of purchasing power and the supply of goods, we are adopting organizational measures to encourage healthy economic competition. We are also strengthening normative income regulation by reducing individual discrimination. In a few years we hope to see conditions that will permit the introduction of a unique currency exchange rate.

The introduction of prices proportional to value was regarded as an important task as long ago as the 1960's. In 1967 the Central Committee stated that the price relationships to be created in the course of two or three five-year plans must be such that, aside from some well-defined exceptions, the price paid by the consumer for goods and services is equal to the socially necessary cost of producing those goods and services.

The price policy guidelines of the Fourth Five-Year Plan, encompassing the period from 1971 to 1975, contained the first stage of the transition of prices proportional to value. With the exception of the meat price increases, they have been fully implemented. Raising the consumer price of meat had to wait until 1976. The second stage of the transition to prices corresponding to value was defined in the first draft of the price plan of the Fifth Five-Year Plan. This had to be taken off the agenda as a result of the world market oil price explosion.

In the new world market situation, the discrepancy between consumer price relationships and cost of production has increased; on the other hand, the order of priorities has changed. On the one hand, there seemed to be no basis for a full-scale transition to prices defined by value during the 1976 to 1980 period, although there was an agreement on the necessity to make substantial progress in this area. On the other, it seemed urgent to partially or fully eliminate certain budget price supports and thereby influence the consumption structure in accordance with our foreign trade interests. This change in the order of priorities seemed important because, as a result of the world market oil price explosion, the terms of trade shifted against us. This made it necessary to use foreign loans to ensure uninterrupted operation of our national economy.

The 1973 oil price explosion shifted the focus of attention to questions of prudent material and energy management. Relatively more expensive materials and energy meant that there is a narrower range of finished and semifinished goods requiring imported materials and energy that can still be exported at a profit. The profits themselves have also declined, that supply enough information in this regard and provide incentives for rational materials management, including the utilization of secondary materials and scrap materials.

Competitive Price Formation

In view of these conditions, it seemed important to put the domestic value of basic materials and energy resources on the basis of the maximum cost (nonruble import price). It may be argued that at least 70 percent of the material and energy requirements of our national economy are satisfied from domestic production or from CEMA imports. Yet, it was necessary to consider two factors. One is that contract prices used in trade among CEMA countries are calculated on the basis of capitalist world market prices. The other is the impossibility, in general, of increasing the volume of material and energy imports within CEMA during the 1980's, with the exception of free currency arrangements based on existing world market prices. This means that all additional material and energy requirements for expanding domestic production must be supplied at world market prices; therefore, it is sensible to create incentives for import substitution on this basis.

Another new feature of the 1980 price reorganization is that it provided the foundations for competitive price formation in the processing industry. We call this type of price formation competitive because:

--the domestic value of natural resources (energy and raw materials) is governed by world market (nonruble) import prices;

--the domestic price calculation of finished goods is governed by world market (nonruble) export prices.

In our trade-sensitive national economy, productive investment can be considered efficient if it contributes to exports or substitutes for imports. Consequently, economic efficiency is closely related to international competitiveness and the governing function of prices depends on our ability to regulate the results of enterprises on this basis.

In this system of price formation, price is an objective quantity defined by world market conditions as they apply to the Hungarian People's Republic and our ability to stand our own in that marketplace. Under such a price system this ability is the yardstick of production structure because only those sectors and enterprises will be able to operate profitably that are capable of paying the world market price for materials and energy while keeping the production costs of their export products under the level of the export prices they can charge. This is precisely the way in which foreign trade prices put pressure on production costs by eliminating the irrational situation within the production cost price system that allows extra costs to be passed on automatically to the customer. In this regard, competitive price formation will generate a trend toward efficient production structure while at the same time it enforces material and energy conservation.

This is in our fundamental interest to employ prices calculated on the basis of world market prices in a wide area. However, this was possible only in industry, and even there there are exceptions. In agriculture it was necessary to

refrain from introducing competitive price formation because the world market price level of agricultural products conforms to the production conditions in regions outside Europe. This price level is so low that in Europe it is not possible to develop agriculture on an intrinsic basis. This is why after World War II the establishment of the Common Market in Western Europe was accompanied by the introduction of a joint agricultural policy which meant regional prices at a level above world market prices. Furthermore, this is why even socialist countries with an agricultural surplus saleable in foreign markets would consider the establishment of a new community agricultural price policy within CEMA quite important. This would eliminate the present situation where, although CEMA countries set prices higher than world market levels to support their own agriculture, and even use budgetary means to this end, they refuse to do the same in the area of community relations.

In order to widen the range of competitive price formation in the processing industry, the system has been introduced even in sectors where consistent application requires a 4- to 5-year grace period.

The 1968 price reform has done away with the system of official prices for all products and services and with the policy of a price freeze in general. At that time we adopted a flexible price mechanism together with the principle of price "maintenance." Based on the experience of the last decade, there seems to be a basis for requiring that the guiding role of price be expressed in the process of price formation.

The changes in the price mechanism implemented in the period from 1968 to 1979 have essentially developed the methods that serve as the basis for operating this flexible price mechanism while preserving the relative stability of prices. It is also in keeping with the nature of things that when Hungarian price relationships are regulated by processes occurring outside of the national economy and the world market price trends that reflect them, then this price mechanism is more sensitive to inflation than the one introduced by the 1968 price reform. Price policy can, of course, correct world market price relationships, but only in a way that does not endanger the translatability of efficiency into international competitiveness.

Three Phases of Price Reorganization

For the first time a price reorganization is not finished with the introduction of the new prices. To begin with, we defined three phases of the price reorganization. Modeling was completed in June, 1979; implementation was completed in December 1979; the correctional phase will last until September, 1980.

Modeling was based on published principles of budgetary calculation and price formation, using the 1977 nonruble import prices for energy and base materials and an exchange rate of 38 forints per U.S. dollar. Implementation was carried out on the basis of nonruble import prices for energy and base materials forecast for 1980 and a commercial exchange rate of 34 forints per

U.S. dollar. The upvaluing of the forint was intended to compensate for the inflation occurring in the world market during this interval; this, however, was not quite successful as a result of another price explosion in 1979. The task of the correctional phase is to compensate for the errors we made in the forecasting of world market prices and to ensure, when possible, that losses and profits in competitive sectors reflect, after correction via price preferences, their international competitiveness, and that noncompetitive sectors cannot achieve a better position than progressive industries just because they continue to use production cost price formation methods.

The first lessons of the new system of economic management regulators and the new price mechanism introduced in 1980 were summarized in May. To this end, we used repriced enterprise balance sheets for 1979, enterprise balance sheets for the first quarter of 1980 and price statistics. In the course of our analysis of the price conditions that emerged we found that, while in the area of consumer prices there are hardly any deviations from the plan, in the area of producer prices the difference is substantial.

As part of the 1980 price reorganization, most of the consumer price changes, representing a significant increase in the consumer price level took place in July, 1979. Consumer prices could increase no more than 0.8 percent in January, 1980 on account of the producer price reorganization. Taking this into consideration, consumer prices can increase by 3.7 percent in 1980 as a result of measures taken in 1980 and market factors during the year.

Relative to December 1979, consumer prices increased by 1.1 percent in the first quarter. This is only slightly higher than planned and is due to two factors. First, the turnover of winter clothing sales was less than usual. Second, the consumer price level of seasonal goods was 35 percent higher in the first quarter than in the same period of last year. High prices for seasonal goods have no substantial effect on the consumer price level for the whole of 1980 because turnover is low in this period. On an annual basis we expect a 17- to 20-percent rise in the consumer price of seasonal goods. It must be noted that, as a result of unexpected increases in world market price levels. It was necessary to employ "extraordinary" measures (exchange rate reduction, consumer price supports) to keep the consumer prices at the planned level.

One of the goals of the 1980 price reorganization was to eliminate the 4 percent negative difference in the two-tiered price system in 1978 and to ensure that consumer prices in 1980, calculated on the basis of the new starting prices, are 3 percent above producer prices. This would have fit in with a 7 percent rise in industrial producer prices. Yet, the first 3 months' price index calculated by the KSH [Central Statistical Office] indicated a 14 percent industrial producer price increase instead of the 7 percent. In the other productive sectors of the national economy, price levels developed according to plan.

Under these conditions, a resolution was made to move forward the start of the work on price correction. We ordered self-correction by enterprises but the results were more modest than expected. According to calculations performed to shed light on the causes behind these differences, the macrolevel input-output analyses did not pay sufficient attention to the indirect effects of higher material and energy prices (the so-called cumulative coefficient); this has led to a calculated industrial producer price increase 3 to 4 percent lower than actually occurred. Since most of this is concentrated in mining metallurgy and investment machinery, its effect on the two-tiered price system is slight. There is, however, another factor what needs to be taken into account. The introduction of new industrial producer prices was linked with a quarter-long price freeze. After the end of the freeze, price formation based on foreign trade prices was introduced on 1 April 1980. Simultaneously, prices were adjusted to current world market prices when the producer prices of certain energy resources were modified on 1 July. The April measure raised producer prices in industry by approximately another 5 percent, due to a larger than expected rise in world market prices for energy, in spite of a 5 percent lowering of the exchange rate of capitalist currencies on 1 March. This has a more pronounced effect on the two-tiered price system. We can expect consumer prices in 1980 to be only 1 to 2 percent above the producer price level.

First quarter profits were somewhat below the planned level. Nevertheless, profits are likely to reach planned levels because our experience shows that first quarter profits are usually rather low due to a number of transitional factors and efficiency of operations will improve in the course of a year. But this situation came about because the price levels calculated by enterprises were lowered by 3 percent in 1979, based on a resolution by the Council of Ministers, and wage contributions were finally set at 24 percent instead of the 17 percent originally, figuring in price calculations. It appears that the chief function of the third phase of the price reorganization is going to be the correction of discrepancies among enterprise results; the required information, however, will not be available until the balance sheets for the first half of the year are completed.

Since the introduction of the new economic policy in 1957 no price policy task has been comparable in complexity to the 1980 price reorganization. This is in part due to the fact that the price authority and enterprise apparatus with a great deal of experience in production cost price formation had to be reoriented toward calculation of competitive prices in sectors producing 35 percent of the national product. The requirement that prices serve as a continuous guidance in economic decisionmaking also represented an unusual task. Thus, in this case we are faced not with a traditional price reorganization, but the introduction of a new course, an area where we lack sufficient experience.

The information requirements of the new price mechanism are different from the old one. The information base of price formation by the production cost method is provided by enterprise accounting. Since enterprise accounting is

centered on cost calculation, this is an advanced information system. The world market price or, more precisely, the foreign trade price, plays only a secondary role in this type of price formation; in any case, it only arises in a concentrated form within the framework of a price reorganization. In a competitive price system, the most important prerequisite for operation of the price mechanism is the day-to-day knowledge of world market or foreign trade prices. This must be sufficient to evaluate import and export price policies and to provide guidance to price policy on the micro, meso and macroeconomic level. We have already defined the requirements and the responsibilities of the participants. The information system, however, is not yet operating satisfactorily.

The question also arises as to our evaluation of price movements occurring in the world market: how to distinguish between long term and short term, cyclical changes that do not require a response. These questions are difficult to handle. They are causing confusion even in countries where the economy has traditionally operated under a market price system. We have made some mistakes and we will continue to do so; but the number of mistakes must be reduced to the minimum.

One of the concrete tasks we are facing is the reduction of price bureaucracy. Methods of calculation have changed only slightly with the introduction of the new price mechanism; the same is true for inventory reevaluation and other technical regulations. There are some signs indicating that the administration of more frequently changing prices will add a new bureaucratic element to management. One of the important tasks of the coming period is for price authorities, financial organs and enterprises to work together in searching for simpler methods of regulation to ensure that changing prices do not require more administration than the price calculation methods used in the past.

There are additional new tasks in the area of informing the population. This problem has been on the agenda since 1968. At that time it took several years to arrive at suitable forms of informing the population. Today there is a new situation. Not just because the number of products whose consumer price is free has expanded somewhat, but rather because, with a few exceptions, industrial producer prices have been freed and, as a result, the pressure of producer prices on consumer prices has increased.

The National Material and Price Office has focused attention on these new problems associated with informing the population. Public sentiment must be improved. The sense of defenselessness in the relationship between seller and customer created by the uncertainty about prices must be dissipated. The inquiry in this area also includes the question whether it would be advisable to set certain procedures for otherwise justified changes in the price of certain products.

To summarize: under new conditions of central price management, we are dealing with problems that we could not fully solve. We are in a learning phase where everyone, from the National Material and Price Office to the enterprises, has its own tasks. We must master these problems as soon as possible. This can be successful only if everyone recognizes the responsibilities we must shoulder in order to restore the balance of our national economy under more difficult world market conditions.

Export or Import Price Basis

We must also be capable of distinguishing between true problems and those that arise mainly as a result of a search for loop-holes. Criticism is concentrated, of course, on the competitive price system. They say it is wrong to tie domestic prices to export price trends because in most countries the export price subsidies. This is also true in our country, since sales receipts are supplemented by permanent (tax refund) payments and temporary (modernization) budgetary support. Aside from this, the general rule is that in countries where export prices are below the price of domestically sold products, the domestic price formation process is coupled with a gross or net turnover tax on each production phase. This tax (sales tax or value-added tax) is rebated or waived in the case of exports. In our country, turnover taxes are paid by commerce.

They say: due to depressed domestic prices in line with export price levels, the production of certain goods will cease and then the demand can only be satisfied by importing at a higher price. For this reason it has been proposed to regulate producer prices on the basis of import prices instead of export prices. Naturally, import prices are much higher than export prices since in this case transportation costs and import duties are also included. The more the production structure is protected by import duties, the less suitable import prices are as a guidepost for effective structural policy.

The idea of a transition from export prices to import prices is in fact supported by the belief that this could lead to larger average normative industrial profit rates. Thus, it is highly important to see quite clearly that the decline in the average industrial profit rate was not due to the transition to an industrial producer price system based on export prices, but that it was an independent process. The decline in average industrial profit rates is an indication of the decline in the internal accumulation capacity of the Hungarian national economy brought on by the deterioration of the terms of trade and, in the final analysis, the increased difficulties of economic growth.

In terms of the import price, the crux of the matter is whether if an enterprise stops producing certain goods, the situation will be better or worse at the new production level or in the new production structure. This can be resolved only on a case-by-case basis. This is why we said that, whenever an enterprise can demonstrably substitute for imports by marketing a certain product, then it is possible, in a given case, to provide an exemption

from the requirements of export price levels and export profit levels. In any case, the export price level merely regulates enterprise profit rates, not the concrete price of products. Prices of domestically sold products may differ from export prices; in this case, the import price represents the upper limit.

Initial Experience and Topical Tasks

After the introduction of new prices, at the time of analyzing the initial lessons, there has been agreement on the fact that a radically different industrial producer price system was successfully introduced without major difficulties. What is more, in the past months we have made unexpectedly large gains in the area of restoring our intenational balance of payments. This makes it easier to operate the new system of prices and regulators in a consistent manner, and to strengthen normative financial regulations. Based on the conclusions we drew and the demands we face, we will modify certain elements of the system of regulators. There is a good chance that we will be able to avoid the practice that has emerged since the beginning of the 1970's leading to a wide-ranging system of exceptions granted to enterprises.

Today our attention is focused on the finalization of the price policy guidelines of the Sixth Five-Year Plan. We expect continuing inflation in world markets. The rise in the relative price of natural resources is still continuing. According to forecasts, this will result in an almost 8 percent worsening of the terms of trade during the five-year plan period. Thus, we could not avoid importing inflation even if we raised the exchange rate of the forint in line with rising export price levels. We must also consider the fact that particular export prices grow at rates that differ greatly from the average rate. Nevertheless, exchange rate policy is one of the central regulators of price relationships within the new price mechanism. We must have an exchange rate policy that promotes the improvement of economic and, in particular, trade balance, export efficiency and export product structure, as well as the relative stability of prices.

The central issue of the price policy guidelines of the Sixth Five-Year Plan is the planned size of consumer price increases. Based on various considerations, it seems sensible to set annual average consumer price increases at approximately 4 to 5 percent. This is the best way to reconcile price policy with the policy on living standards in a period when, due to increasingly difficult conditions of economic growth and the social interest associated with the early retirement of foreign debt, the goal is not to increase but to preserve living standards and real wages. Due to the goals of state incomes policy, the system of enterprise wage regulations and differentiation according to performance, wages will increase at an average rate of 4 to 5 percent even at this development stage. Therefore, the task confronting price policy is to ensure that the size of wage increases is the same as the size of price rises while price relationships develop so as to bring the consumption structure closer in line with the changing conditions of international division of labor.

The 4 to 5 percent consumer price increase can also be regarded as an upper limit that still has no negative effect on the desirable level of savings and credit demand by the population. If at all possible, consumer prices should not increase at a rate above 4 to 5 percent annually. This is because such a rise would necessitate an increase in the interest paid on deposits by the population, or, alternatively, we must expect a decline in the willingness of the population to save over and above what has already been taken into consideration. At the same time, the importance of the interest paid on consumer loans would decline and this would increase loan demand by the population. Therefore, if world market inflation exceeds the assumed level, it would be advisable to raise the exchange rate of the forint to an appropriately higher level.

The long range gudielines of the new price mechanism represent the stable element of price policy. These guidelines will be implemented through price movements that are difficult to foresee. Formulation of the numeric portion of the price plan is possible only with a much higher level of uncertainty than in the past.

Forecasts of the deterioration of the terms of trade during the period from 1981 to 1985 are based on assumptions relating to general world market price trends. Thus, the price forecasts do not consider improvements in marketing policy which could eliminate or at least substantially reduce price losses suffered as a result of the lack of export stocks, noncompliance with shipping deadlines, irregular deliveries, quality complaints, uneven quality, deficiencies in the supply of spare parts and field service as well as unused opportunities in the area of new types of cooperation. Without improved marketing policy, i.e., merely through structural transformation and traditional production cost reductions, it is impossible to do away with the preferences (modernization supports) introduced in 1980 on a temporary basis.

Undoubtedly, the conditions for marketing policy have improved. Still, it does not seem advisable to take this into consideration in the price plan. Such a step would mean the distribution of a hoped-for future foreign trade profits for domestic use by the national economic plan. This is what happened, in essence, in the Fifth Five-Year Plan and this was one of the reasons behind excess consumption. On the other hand, no special problems are caused by the distribution of additional resources discovered in the course of the implementation of the plan.

Following the publication of the price reorganization guidelines, the decline in domestic demand (and the resulting need to export), combined with a more active export price policy, indicated the appearance of the assumed positive effects during 1979. The reduction in demand occurred as a result of the advertised decline in normative profits. This made enterprises more cautious in their investment decisions. The reexamination of export price policy was placed on the agenda when the competitive price system was announced. We saw favorable changes in the relationship between industry and foreign trade. These became stronger after the publication of more detailed regulations.

The period just concluded is insufficient to arrive at a definitive analysis of the effects of prices and regulators. Nevertheless, the increased sensitivity of enterprises to world market processes is already clear. In their purchases, they are paying more attention to ordering only raw materials and base materials they really need for production, instead of requesting expensive materials with unnecessarily high quality parameters from foreign trade. The building of associative relationships between industry and trade has accelerated. In many cases, the incentives of the foreign trade enterprise are tied not just to currency prices, but also to improvements in the currency production index. Coordination between industry and foreign trade in the area of prices has improved, as have their informational contacts.

Other positive effects of the price and financial regulations are also beginning to emerge: there are stronger enterprise initiatives toward economic import substitution and material savings, increased cost sensitivity and more aggressive price bargaining.

Price and financial policy must be carried on in a consistent manner in order to spread the positive effects of prices and free the reserves needed to carry out the national economic tasks of the coming years. In this connection, it is extremely important to intensify the pressure to export by creating equilibrium between purchasing power and product supplies and to use favorable operational results to increase competitive conditions that are beneficial to the functioning of the price and financial system, instead of using them to loosen up income levels envisaged by the plan. Operation of a competitive price system requires more than just legal provisions. They must be supported by prevailing market conditions. This is the only way to secure the conditions necessary for rapid progress.

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ROLE OF RAILROAD IN INTERNATIONAL SHIPMENTS DESCRIBED

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[Lecture by Bela Szabo, MAV (Hungarian State Railways) deputy director general at the Summer University of Shippers in Kecskemet, 8 July 1980: "The Position and Role of the Railroad in Accomplishing the Tasks of International Shipments for the National Economy"]

[Text] The evolution and development of production and commerce have required movement of people and goods. The means and methods of movement are connected with and depend on the level of production. This mutual influence continues to exist today, and it will be an inseparable part of our future development.

The human race went beyond local dependencies and connections between goals and consumption in a very short time, historically. The first division of labor, even though still at a primitive level, brought with it a geographically expanding interest in goods and people, and these were brought together through transportation. Production and commerce generated transportation as an inseparable by-product, while the level of development of the latter determined and influenced the development and growth of the former in both their systems and means.

At the high level of society and production in our days, transportation as a system already has its own domestic and international division of labor, and it is developing into a worldwide system.

Cooperation in shipping at the international level has been integrated; its differing systems and forms have been created and are continually being developed by the various countries. Within the transportation system, the evolution of various methods of transportation has come into being as the result of a division of labor.

The principles of division of labor between the sub-branches of transportation are determined by factors of geographical possibilities, degree of economic development, level of motorization, purpose and nature of movement, distance to be covered, speed, and many other factors.

Within the area of transportation, division of labor first appeared as a vertical connection. In regard to international transportation, it first emerged with the establishment of railroad connections between sea harbors and countries without seacoasts. Horizontal division of labor first evolved in domestic shipping between boats and trains, where geographical relationships made it possible.

Following the spread of internal combustion engines, an increasingly significant share in the division of labor of the tasks of shipping was undertaken by highway transportation through the broad application of transportation vehicles on the highways.

In the last few decades air transportation has become critically important in the long-distance transportation of people, while the method of transportation by pipeline has provided favorable possibilities in the transportation of oil and natural gas.

In addition to rapidly developing air and pipeline transportation, motorization based on cheap fuels and the expansion of highway transportation have confronted the railroads with new conditions and relationships.

The decrease in the railroad's share of transportation has not meant, however, that the railroad is losing its fundamental significance. In spite of the proportional decrease, railroad traffic is continually increasing.

Among the countries in CEMA between 1950 and 1978, the total amount of rail transportation increased by 8 times in Romania, 6.5 times in Bulgaria, nearly 6 times in the Soviet Union, 4.5 times in our country, 4 times in Czechoslovakia and Poland, and 3.5 times in the GDR. During this period about 1,000 kilometers of railraod track per year have been constructed in the Soviet Union.

The basis of the new price calculations was taken from the year 1973, when the explosion in oil prices began. It soon became apparent how favorable the efficiency of the railroad was in regard to fuel costs. In consequence of the continual rise in oil prices, the pace of electrification of the railroad has been stepped up. The portion of electrified tracks in neighboring countries is extremely varied. In Austria it is 46.2 percent, in the Soviet Union 29.[illegible] percent, and in our country 17.5 percent. This is far below the average figure for Europe.

The dieselization and electrification of the railraods in the developed countries of Europe took place long before such modernization activities were begun by us, but as the result of large expenditures in this direction [illegible] already 81 percent of the rail transportation benefits from dieselization or electrification, and the share of electrification has reached 50 percent.

In harmony with the pace of growth of the national economy, transportation must satisfy the requirements of transportation of people and goods, which are continually increasing from the standpoint of both quantity and quality. In satisfying the demand, railroad transportation has had, has now, and will have in the future a critical role. We can respond to this task only in the framework of a conscious and planned division of labor in transportation and through the realization of developments based on it.

The movement of people and goods requires much equipment. Use of the equipment in any economy is connected with a significant energy demand. It is therefore a basic requirement that the costs of transportation be optimized through the evolution of a proper division of labor.

In addition to the requirements for transportation deriving from development of the country, our participation in international transportation of people and goods, deriving from our geographical location, puts additional demands on our transportation. It is the combined result of this and our open economy that within the total amount of transportation, a very significant fraction is represented by shipment of exports, imports, and goods in transit.

In 1975 the available railroad, highway, water, air, and pipeline routes carried a total of 664.4 million [metric] tons of goods all together. Fifty-two point three percent of this was accomplished by common carriers. The total performance of common carriers was 39.6 billion ton-kilometers, which corresponds to 88.4 percent.

At the end of 1978 these figures were 760.9 tons with a 51.6 percent share, totaling 46.6 billion ton-kilometers, equivalent to 87.5 percent.

As I mentioned before, export-import and transit traffic plays a significant role in the activities of transportation of goods. The railroad is prominent in the accomplishment of this as well. On the basis of the weight of goods transported in 1978, the railroad accounted for 68.6 percent of imports by the national economy and 87.1 percent of exports as well as 98 percent of the transit goods.

The role of the railroad was of critical importance also when examined from the point of view of gross ton-kilometers. Its share of imports was 51.6 percent, and of exports and transit goods alike it was 59.1 percent.

These numbers also mean that for the railroad the portion of international traffic compared to total traffic is considerable, and it has a special significance from the point of view of both traffic organization and economics. Successful solution of the tasks arising from this and the results and problems appearing in connection with it have a direct effect not only on the railroad, but also on the whole economic activity of the country.

The railroad fills a very important role in domestic and international transportation of people as well.

The number of passengers transported in international traffic has increased significantly during the past 5 years. In 1975 we carried 2.7 million passengers, and in 1979 it was 3.1 million. In certain regards the traffic shows small fluctuations. For example, in the year 1979 the number of passengers arriving and transiting from Poland decreased by 224,000, and there was also a decrease in regard to Czechoslovakia and the GDR. Passenger traffic with Romania increased, and the number of passengers varies around 437,000. In regard to the capitalist countries, we had the most passenger traffic with Austria. The agreement for travel without visas between Austria and Hungary increased the number of Austrians arriving; but even with that the number of passengers was under 100,000.

The tendency of international passenger traffic to increase requires increased measures to be taken to satisfy the travel demands. In this regard we have increased the number of express trains departing from Budapest (for example from Budapest to Varna [Bulgaria]), and we have increased the area of services offered.

A new service that was begun in the summer season was the installation of sleeping-cars on the Budapest-Berlin, Budapest-Warsaw, and Budapest-Belgrade lines.

Creation of the possibility of shipment of personal cars on international express trains also represents a new service. Small cars have been predominant so far among the cars shipped by this system.

It must be noted that the level of services in passenger traffic is low in both quantity and quality; it has fallen behind the level of that of the developed railroads. The most problems are caused by inappropriate levels of passenger comfort and cleanliness.

In the interest of improving the level of passenger transportations, we have acquired about 200 four-axle passenger cars capable of 140 km/hr speeds.

In the interest of developing the seat-reservation system, we have provided the central reservation office and the regional subcenters with communication facilities.

The international reservation system has been connected with Austria, but in relation to other countries this is still a problem awaiting solution.

The share of international shipment of goods--export, import, and transit--in the transportation activity of the railroad has increased systematically during the period 1975-1980, except for some insignificant transitional decreases in certain years. In 1977, 38 percent of the goods carried and 53 percent of the total transportation was comprised of shipments of an international character.

In recent years the evolution of export and import shipments in international traffic has faithfully reflected the influence of the implementation of the guidelines set for the development of our national economy.

In the year 1979 the volume of goods transported in export traffic, expressed in tons, showed a 10.4 percent increase relative to the year 1975, and our import traffic decreased by 1.6 percent.

This set of relationships in international goods traffic reflects our international business policy.

Regarding the developmental tendencies of transportation, our export-import traffic with the CEMA countries has increase the most, due to more, and more broadly based, socialist integration.

Fifty-six point eight percent of our export traffic and 79.2 percent of imports is with socialist countries.

Soviet-Hungarian traffic plays the greatest role in international goods traffic; it amounts to 47 percent of total import volume. Export-import traffic is mutually significant with Czechoslovakia, the GDR, Poland, Yugoslavia, and Romania.

Our most significant Western relationships are with Austria, the FRG, and Italy.

The size of our transit traffic is basically determined by the traffic in exchange of goods between countries that prefer to use the Hungarian railroad network because of favorable geographic or tariff reasons.

Transit traffic is a peculiar area of international business, in which we sell transportation capacity in exchange for foreign currency. Our position in competition in the shipping market depends on whether we can provide equivalent or better conditions for shipping.

Transit traffic in 1979--20 million tons--shows a 6.1 percent increase in tons of goods transported relative to 1975 and 3.6 percent relative to 1978. In terms of the ton-kilometers used for determining rates, the increases were respectively 8.4 and 4.2 percent.

Increase in transit traffic has a special importance mainly for economic reasons, since MAV can earn transferable rubles or U.S. dollars with expenses lower than the average of the national economy.

Because of the higher income and lower costs of transit traffic, it provides a greater profit than shipment of domestic goods. Foreign transit shippers pay their expenses in foreign currency. Maintaining and developing transit shipments is therefore a prime national interest.

An important role in transit traffic is played by MASPED [Hungarian General Shipping Enterprise]. Last year we transported 1.2 million articles under terms of the agreement between MASPED and MAV for regulation of transit traffic.

A good and close cooperation has developed between MASPED and MAV. The knowledge and experience of MASPED in relation to the composition and relational patterns of goods traffic in international commerce are extraordinarily valuable to us, as we can make use of them in setting international tariffs for export-import traffic.

High-level methods of shipping are being offered by new services, of which the most important representative in international traffic is the method of shipment by large containers.

In 1975 we handled more than 13,000 containers in (export-import) traffic and 32,000 in 1979. The weight of goods (export-import and transit) in large containers has increased in 5 years by some 200,000 tons. An increase in shipment of containers has been decisively guaranteed by the increase in export-import traffic with CEMA countries.

Goods shipment in large containers based on the SZPK mutual container-use agreement began in 1978. This provides substantially more favorable conditions than the older procedure based on bilateral agreements.

At the beginning of the SZPK traffic, MAV had a very small stock of containers. Therefore, in regard to the ratio between giving and receiving, the resulting balance was a deficit.

We are trying to overcome the debt in container-days gradually by a great increase in export traffic to socialist countries. In order to encourage export loadings [by container], we have made agreements for reduced shipping rates with several enterprises engaged in large shipments in international trade. We want to stimulate larger shipments through rebates.

In spite of all this, loading by shippers without delay, improved technology, and better organization work by MAVTRANS [Transfer Service of Hungarian State Railways] will all be needed to speed up the turn-around time for containers--sometimes exceeding 40 days [at present].

At the same time, it is in the interest of our foreign-exchange economy as well to accelerate the increase in our stock of containers.

Included in our international transportation of goods, as a technology and method of shipping, is also the exchange activity regarding pallets for carload shipments.

Our goods traffic involving exchange of pallets for international carload shipments has more than doubled in comparison with 1975. In 1979 the weight

of goods shipped on pallets was 223,000 tons. In spite of a huge quantity of pallets obtained, the achievement of exchange is made difficult by the fact that shippers or neighboring railroads return the pallets late or in many cases not at all.

In summary we can state that the development on the part of the railroad in the area of applying modern shipping methods and technological equipment in international goods transportation has been significant, but the proportion of goods shipped with these methods is still low; for this reason more efforts are needed in order to increase their use.

Along with modernization of goods transportation, mixed shipments are becoming prominent, because they improve the quality and economy of service.

Energy costs are increasingly playing a determining role in the costs of export, import, and transit shipments. Approaching the question of division of labor within domestic transportation from this point of view, I think it is timely to examine the technical and economic question of what kind of schemes can be considered for delivering to their destination goods shipped over long distances that have hitherto gone via the highways, in the interest of saving shipping costs--without reducing the quality of service. In the case of regular shipping routes, for example, the possibility is being offered of transporting a truck or at least its trailer by rail--within the time it would take on the highway--over certain parts of its route.

In addition to the energy-saving modernization of the work of shipping goods, developments in the direction of applying modern technology, and the reduction of both human and machine work are also important. One such solution for example is the forwarding of shipments that arrive in wide cars without reloading them, which has become technologically possible through the recently introduced base for adjusting axles.

Goods shipped internationally by railroad are extremely varied. From the point of view of technology, operation, and organization, this requires a very complex set of conditions and preparations. The ability to handle this traffic is fundamentally determined by the capacity of tracks, switching points, and border stations.

The Hungarian railroad's central, radial, and trunk network of some 3,000 kilometers is connected with the European system. More than three quarters of the traffic is handled through it, and almost all of the international traffic.

The utilization of the trunk network is very high, given its level of technical equipment. In recent times the electrification of tracks (for example on the Budapest-Kelebia line) has been an important scheduled development.

Along with the modernization of locomotives, especially as the result of electric locomotives, the energy use of this type of equipment has been

reduced by nearly 50 percent (in 10 years). It is worth mentioning that in 1979 of the 100,000 ton-kilometers pulled by locomotives, 50.6 percent was powered electrically. This was accomplished by 23.4 percent of the locomotive engineers, so that the increase in human productivity was also considerable.

For the point of view of international traffic, an extraordinary role is assigned to the border stations. The most important requirements of border stations are an adequate gross handling capacity, smooth accomplishment of rail and other examinations, the speeding up of international traffic, and reduction of handling time at the border stations. We are attempting to satisfy these requirements by changing from a system of switching border stations to a system of joint stations.

International freight traffic crosses the border at 19 of MAV's 22 border crossings. Of these, 11 are functioning as joint border stations.

The most important of the border stations from the point of view of their size are the following: Zahony, Szob, Lokoshaza, Rajka, Kelebia, and Nyirabrany. Fifty-five percent of the international traffic is handled at these six border crossings.

The size of border traffic is showed strikingly by the automobile traffic. The total automobile crossings last year amounted to 4.1 million cars.

The highest amount of traffic is handled in the reloading area at Zahony. Zahony occupies a special place in international traffic. The fulfillment of the task of the reloading area has a decisive effect on the whole network. In terms of tons of goods, the amount handled in this area is some 12 percent of the total traffic on the Hungarian railroad.

The industrial and technological development of the Zahony reloading area is one of the central questions of the development of the railroad. We are implementing the developments in several stages. Expenses so far have already reached the level of 4 to 5 billion forints. During the fourth stage of development, the time for expansion of the standard tracks at the Eperjeske arranging station has arrived, and we have placed direction controls and train-arranging tracks at the north arranging yard of Fenyeslitke in operation. The base for adjusting axles for wide cars has been constructed in Hungary as well. The construction of a transfer station for goods of less than carload size is underway.

Our stock of trucks has been modernized significantly in recent times. As a result of this, the carrying capacity of the trucks has grown by 15 percent. The average load of the trucks is presently 29.2 tons.

From the point of view of shipments in international trade, an important role is played by the composition of the stock of trucks. Most of all we are urging the acquisition of truck types usable for several purposes.

There is a lack of certain special kinds of trucks, especially trucks capable of being loaded mechanically.

From the point of view of the shippers, the variety of possibilities of shipment is important.

In order to expand international trade connections, the railroads have made efforts to create appropriate and comprehensive international freight-train systems. One of these is the so-called TEEM [Trans-European Express Marchandises] train, which travels according to internationally established time-tables and at high speeds. Our country occupies an important position in this express freight-train system; here we are interested in 12 trains with 17 routes. The time taken by the TEEM trains to cross Hungary over the MAV tracks is 5 to 6 hours. In this system, for example, Hungarian goods can reach Salzburg in 12 hours, Basel in 29, and Copenhagen in 44.

In the international system of freight trains, the TEC trains, carrying large containers, must also be mentioned. At this time these move only at appropriate times according to need. However, as a result of expected development of containerization, we can count on a spread in their use and an increase in their frequency.

As can be seen, MAV is paying increased attention to the smooth handling of international traffic. In spite of this, many factors are still spoiling both the quantity and quality of the level of goods transportation. Among these I mention frequent unnecessarily slow overall speed, uneven loadings, which appear mainly as weekly, monthly, and quarterly fluctuations, longer than necessary waiting at stations, as well as instances of slow signals and track disturbances and problems resulting from lack of capacity.

The time limit on my lecture makes it impossible to make a detailed analysis of each of these examples. Nevertheless I think it necessary, because of the composition of this audience, to mention the factors and the situation resulting from "capacity inadequacy," external and domestic loads on existing capacity, a situation that is not a result entirely of attitudes dependent on the railroads, that affect increase in total performance, and that often influence delivery times. The consequences in these areas are acute and force the railroads to take emergency steps.

Further expansion of the capacity of border-crossing points, which have been established and developed taking into consideration the projection of the volume and composition and international goods traffic, the various agreements on goods exchange traffic, etc., is in the mutual interest of the parties. This usually means a serious financial burden, which is always tightly connected with the ability of the particular economy to bear it. Accordingly, questions of how the capacity that has been established through these kinds of developments is utilized, what kinds of things influences them, where they arise, and what is done to solve them are significant matters.

As is well known, the vast majority of international traffic is made up of shipments which are subject to agreements negotiated in advance by the railroads and foreign trade organizations. Nevertheless, experience has shown that considerable differences arise between plans and actual requirements in terms of volume, composition, and time.

Part of this is naturally influenced in a positive or negative direction by unexpected events that affect economic and business activity. But the questions of what proportion they represent, and whether they are within or exceed the capacity of the transportation equipment and system to undergo change, are also significant.

In practice the greatest and most frequent problems in our experience are caused by irregularity of shipments and uneven distribution of items being shipped. I must emphasize that I am not talking about those cases where delays in loading are caused by unavailability of empty cars due to various problems originating within the railroad, but about causes outside the railroad.

Such irregularities in shipping not dependent on the railroad very frequently force the railroads to introduce so-called goods-traffic limitations for a longer or shorter time, in spite of the fact that not even these measures will always be completely successful in regulating traffic according to gross capacity.

In order to moderate the detrimental consequences of this kind of situation, we set up quotas on quantities--expressed in tons or cars--that can be transported on particular international routes. These can be in effect for a day or longer. In such a case, it is in the interest not only of the railroad, but primarily of shipping, that the quotas be used up completely.

In order to completely utilize the quotas on our part, we very frequently encourage the foreign trade enterprises, wherever it can be technologically and organizationally expected or justified as a condition of shipping agreements, to accept the concept of unit-shipment of goods.

As experience in practice shows, the volume of transshipment can be expanded without significant increases in investment and human labor by expanding the quantity and variety of goods shipped as units. Use of this kind of system more widely and in larger volumes can open the way to an increase in the portion of shipments loaded mechanically, and at the same time reducing the time required for transshipment and delivery. In the former case productivity of loading and unloading can be increased in a natural way.

Unfortunately, our initiatives have still today not encountered broad understanding, and for this reason they remain for us unchanged tasks to accomplish.

The thought has already arisen that it would be appropriate in the interest of more efficient handling of international traffic to create a joint

international service that would continually watch the running of international trains and notify the railroad when necessary to take corrective actions.

The complete solution would naturally be industrial development to eliminate shortages in capacity as well as achievement of an international traffic organization.

By studying the economic significance of international traffic on the railroad we can observe that 56 percent of the total goods traffic income of MAV consisted of income from international shipping. In 1979 income from transit shipments was 4.5 billion forints, which means an increase of one-and-a-half times compared to 1975.

Even without analysis, these figures show that it is necessary to watch daily the connection between performance and income.

The price systems that determine income are quite varied--because of a large number of factors.

The economic process is complicated by the circumstance that price rates, which are generally expressed in foreign currency, must be converted into forints at the exchange rates in effect at each time.

The foreign-exchange income and expenses of the railroad, or their size in terms of forints, is fundamentally influenced by the floating or rapidly fluctuating exchange rates, which frequently cause serious losses to MAV.

Monetary instability began in the early 1970's. Floating exchange rates of capitalist currencies has made settlement of railroad accounts very difficult.

A basic change in exchange rates took place in February, 1979. At that time the difference between commercial and noncommercial rates was reduced (the noncommercial rate was brought closer to the commercial).

Precisely because of this, re-examination and adjustment of the price level of international rates in light of changes in the exchange rates became a weighty question.

Incorporation of goods shipment into managment of foreign currency involves application of differing tariff systems for ruble and nonruble accounts and mixed commercial and noncommercial exchange rates.

The price levels of our tariffs were raised in 1979. The replacement in regard to countries with ruble accounts of the ETT rates by the MTT rate, which raised former transit rates by some 90 percent, was significant. The price level of the new MTT tariff is still some 60 percent lower than the freight rates of developed capitalist countries.

In the TCV [Baggage and Passenger Tariff] price rates, the prices charged for MAV lines rose by 100 percent. MAV's TCV prices before the increase were also lower than the prices of the nonruble countries, which generally followed up the price changes with repeated increases.

MAV's domestic and international passenger and goods transportation rates and price levels are different.

The price level of domestic passenger transportation is a factor belonging to the political category of standard of living. International passenger tariffs have been and continues to be determined by whether we are dealing with participating or competing railroads.

Domestic goods shipment is connected with the wholesale price level, and in the international sense it differs from the method used for passenger transportation.

Our price level for domestic passenger and goods transportation is an integral part of the general price system, and it reflects national economic policy.

Our price system was changed radically in January 1980. The world-market prices of raw materials, semifinished, and finished products affect the railroad just like the other branches and sub-branches of the national economy. The effect of these on costs, which in turn affects profits, can only be counterbalanced by planned adjustments in price increases.

In relation to the participating railroads--except for the small proportion of prices which can be set freely--every change is possible only on the basis of unanimous agreement. It is a fundamental requirement of other export, import, and transit shipments that beyond the effects on costs the price level should adjust to the value of the goods as well.

All this together means that the time of stable price rates has come to an end. The tasks connected with this are new, and we must learn this and handle it flexibly in the interest of insuring competitive ability and preserving a source of foreign currency.

In the area of shipping, international cooperation will insure in the future an important role to the government's policy on transportation.

We must accomplish our tasks efficiently and economically, taking into account that transportation now utilizes 12 percent of our energy consumption at the national level, at a time when we import 50 percent of our energy. Increase in performance will naturally require additional energy. For this reason we must emphasize energy-consequences in planning and accomplishing our expansions and divisions of labor, providing for specific reductions in energy use.

In succeeding plan periods, international cooperation will have increased importance, primarily with neighboring railroads in the interest of smooth achievement of international passenger and goods traffic and increase in transit traffic.

The declining trend in passenger traffic is expected to moderate in the future. This fact is supported by the dynamic increase in international tourist traffic that can already be felt. The level of passenger transportation will to an increasing degree become a measure of social and economic development and of a more civilized way of life. The effect of making the 5-day work week common, and of the continuing development of international economic and cultural relations will require improvement in the quantity and especially in the quality of passenger transportation.

In international traffic, we must increase connections between the capital city on the one hand and the tourist centers on the other. In this framework it is appropriate to look at the possibilities of joining the "TRANS EUROP EXPRESS" network, which provides fast connections between the large cities of Europe, and we must also urge the introduction of the planned "INTEREXPRESS" train system in relation to the CEMA countries.

On a seasonal basis it will also be necessary to increase the number of international trains.

We consider an increase in the speed of international express and fast trains in the interest of decreasing travel times to be important.

The European level of comfort in international traffic is adequate, but we must add passenger, dining, and sleeping cars capable of being pulled at high speed to our stock. Among services connected with passenger transportation, an increasingly important role will fall to reservations. Requirements for reservations of seats and sleeping berths is growing, and demand is increasing year by year. As a consequence of increased demand, services must adjust to international requirements and conditions. For this reason it is necessary for us to join the European electronic reservation system, through which reservations on all European lines for any international train will be possible.

The increase in demand for travel and heightened expectations for services to travelers will require the introduction of new forms of services for travelers and new equipment. In the interest of this:

We are spreading the use of the automatic ticket system, paying attention also to economic utilization of the work force, since it serves to reduce the workload on cashiers in stations with much traffic.

We are speeding up the process of providing ticket-printing machines to ticket cashiers.

In the area of ticket sales, we want to expand the network of ticket offices.

As part of the development of the orientation and information service for travelers, we are expanding the installation of modern visual orientation devices and pictograms according to international standards. We are increasing our system of foreign-language orientation.

The continually increasing quantity of goods traffic--expected to reach 63 million tons in 1985--and the demands it will impose on transportation will make necessary further improvement in international railroad freight traffic.

A lively competition is taking place in the international transportation market. The carriers who are handling the international traffic are looking for the most favorable possibilities for transportation, both in regard to advantageous costs and the fastest possible routes. Our task in the competition that has developed is to maintain existing traffic and to obtain favorable shipments. We can achieve this with knowledge of the market place, formulation of appropriate business models, and speeding up of international shipments, which can be done in various ways.

For this reason, it is necessary to increase the travelling speed of the types of trains used in international traffic--TEEM, TEC fast freight, etc., and to decrease the amount of time spent waiting at the border. We must decrease further the time spent by transit freight trains in crossing on our tracks.

In the interest of increasing speed of delivery, we must encourage shippers and neighboring railroads to form complete trains going in a single direction.

The planned accelerated increase in import traffic will require increased preparations. In this framework we must pay much attention to modernization of technology at border stations in order to relieve this bottleneck.

We must install an up-to-date system, utilizing modern computer equipment, to keep track of cars entering and leaving at border stations. In the Zahony area, an automatic directing system is an essential requirement for the flow of traffic and business in the transfer area.

Promoting and providing for the implementation of modern shipping equipment and techniques is one of our especially important tasks.

According to the plans, during the next 10 years the quantity of goods shipped in containers will increase to about 10 times the present amount.

Because of the continually increasing manpower shortage, industry and commerce will be forced in our opinion to turn to modern technologies for movement and packaging of materials. This circumstance will have a stimulating effect on the development of palletized movement of goods.

Starting from this premise, it is important to promote more and more the spread of traffic using exchange of pallets. For this reason, it will be necessary to increase intensively the number of MAV pallets.

Spreading of modern shipping equipment and technologies will require cooperation among the sub-branches of transportation.

In this framework, we must strive for the formation of a unified transportation chain, in which the shippers will be free from the activities of moving goods to and from stations and loading and unloading.

In order that in coming years we will be able to satisfy the requirements of international transportation--from both the quantitative and qualitative points of view--in addition to accomplishing the tasks described above, appropriate technological and scientific developments will be necessary.

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PROGRESS, PROBLEMS OF SELF-MANAGEMENT ENTERPRISES

Zagreb VJESNIK in Serbo-Croatian 15 Sep 80 p 5

[Article by Ranka Adum Cicak: "Where Is the Hangup in Formation of Self-Managed Organizations?"]

[Text] How is associated labor in Yugoslavia doing in the formation of self-managed organizations? What has essentially changed in that organization since adoption of the Law on Associated Labor? What are the barriers which must still be hurdled for the workers to finally complete what they have begun--taking complete control of income without the "assistance" of small groups of technobureaucrats accustomed to power and monopoly in decisionmaking, and how high are those obstacles?

An extensive analysis which has just been completed by the Federation of Yugoslav Trade Unions has managed to expose if not all, at least most of the obstacles which now stand in the way of organizing labor at all levels--from the basic organization to the SOUR [complex organization of associated labor]--in accordance with self-management.

The analysis showed that the high rate of inflation is one of the substantial reasons why associated labor is slow to organize. It disrupts the flows of social reproduction and whets the appetites of those who have money--so that they want to spend it rapidly rather than to add it to other money and invest in plans covering a longer period of time. Organizations which because of unequal conditions for the conduct of economic activity have found themselves in a more favorable position are not exactly anxious to pool their labor and capital with those who are poorer. And the inadequately developed system of self-management social planning is delaying the proper organization of associated labor. Not to mention the extent to which associated labor is hindered by the closing off of the economy within the borders of regions, republics and autonomous provinces and confinement of available capital within regions.

Who Is Outwitting the Basic Organization?

Is it naivete or an unwholesome shrewdness that brings people to measure the potential for the workers to exercise their self-management rights by the number of workers in the basic organization and neglects the potential for the earning of income? Taking as their point of departure the blanket assessment that the workers do not have the objective conditions for full exercise of their self-management rights neither in small nor in cumbersome OOUR's [basic organization of associated labor], these "innocents" seek the optimum number of workers guided by a desire to manipulate self-management themselves, but to camouflage that manipulation with an organization that in its form and numerical size is ideal. They pretend not to know that there are greater opportunities in small basic organizations for direct self-management, but that conditions for full exercise of the self-management rights of the workers can also be created in large ones. Those who have attempted to preserve the old power relations of their own groups have been trying at all costs to organize OOUR's merely as a formality, but with the relations as vague as possible. When in certain groupings (transportation, construction and trade) some organizations began to define more precisely in social compacts what constitutes operational completeness or what constitutes the principal activity of the OOUR, the troublemakers quickly came forth with objections that these compacts restrict the inalienable rights of the workers. Fortunately, their desire to preserve the present situation of their own rule in the form of a defense of the inalienable rights of the workers and to conceal the group-ownership relation was so transparent that it was detected in good time in every workplace.

Work organizations which are not divided into basic organizations have gotten into a situation where they do not have the greatest objectivity in evaluating all the conditions for their own work. It thus happened that no analysis was made of engineering and technological and economic position and potential for the self-management of the workers in 15 percent of the organizations in the chemical industry, the nonmetallic metals industry and rubber manufacturing. In 30 percent of the basic organizations in the nonmetallic metals grouping relations in the distribution of funds and rights and obligations were not regulated. In 33 percent of the organizations of associated labor in Bosnia-Hercegovina in which OOUR's have been set up no self-management accord was adopted on distribution of funds, rights and obligations, and in 17 percent of the organizations surveyed they said that they did not even need such an accord.

Such poorly prepared associations has had the result that dwarfish basic organizations are being created in which there is no operational completeness or on the other hand excessively large basic organizations which are not impractical because the number of people make them cumbersome, but because they are performing several activities and immediately come into conflict with the Law on Associated Labor.

Work Organizations Not Divided Into OOUR's

There are almost four times as many work organizations not divided into OOUR's as there are those which do have basic organizations. The number of organizations of associated labor without OOUR's is as high as it is because the economy is fragmented, but also because of quite poor organization (as has been discovered, say, in the electrical products industry, the chemical industry, the nonmetallic metals industry, the sugar industry, the oil industry, the dairy industry, the meat industry, postal, telegraph and telephone services, and agriculture). Though sociopolitical organizations in Serbia have attempted to explain these oversights to associated labor, the number of these organizations dropped only 1.5 percent last year and the year before last. In 1978 there were 14,269 work organizations without OOUR's, and in Serbia there were 32 work organizations which previously had OOUR's which are now set up without them. Attempts to preserve the old relations devoid of self-management by avoiding basic organizations have been detected in a large number of activities, industries and groupings (electric power, petrochemistry, the chemical industry, nonmetallic metals and rubber manufacturing, municipal services and utilities, the agroindustrial complex, construction and the building materials industry and certain social services).

Internal Banks To Suit a Variety of Tastes

After the initial efforts for each organization to have its internal bank, now they are being established more and more frequently only in larger entities. Six percent of all the internal banks have been established in work organizations. An analysis has shown that the management of internal banks has been regulated in widely differing ways and that in certain cases it is even unlawful. Thus it happens that credit committees (which only basic banks are allowed to have, since only they grant long-term credits, while internal banks grant short-term credits) are being established in internal banks. Also, regulations between assemblies of internal banks and workers' councils of complex organizations of associated labor often have not been regulated, and decisionmaking is passed on to the small business boards of the internal banks. Thus certain internal banks are already figuring large as a place for centralization of the financial assets of associated labor, on which the decisions are made by a small number of management people. There are also cases in which the assets of the associated basic organizations are automatically transferred to the accounts of pooled assets. In such situations how can the workers even oversee what is happening to their own money?

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ADVANTAGES OF SELF-EMPLOYMENT DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 28 Jul, 18 Aug 80

[Editorial: "Initiative Under Suspicion"]

[28 Jul 80, pp 14-16]

[Text] It is becoming quite clear that expectations with respect to the growth of employment and the social product must be brought into line with the determination to reduce the infusion of foreign capital and inflationary financing of development to a realistic scale. If a high rate of inflation is the price that must be paid for a satisfactory rate of economic activity over a period of years, a slowing down of the pace of development is an inevitable tendency in a consistent development orientation. The consequences of this tendency can be diminished by stimulating that economic activity which can ensure preservation of qualitative factors of development at minimum investment. In that context self-employment and broader reliance on the businessman's initiative deserves far more attention than up to now.

For all the expressions of great expectations from what is referred to as small business and for all the praise of those who have proven their economic resilience, a more careful examination also reveals an extensive network of pitfalls and resistance to business initiative and willingness to invest earnings in the process of reproduction.

The Effect of Restricted Opportunities

Small business, in which self-employment is dominant, has been developing more slowly in the period of the current medium-term plan than was expected and slower than other economic activities. The growth rate is one-fifth short of the plan, the growth of employment is off by one-third, reproductive capacity is off by one-half, and indebtedness has doubled.

The interrepublic agreement on the bases of joint efforts in conducting the policy governing the development of small business was adopted at the end of March. It took nearly 4 years to establish the basic conditions

and rules for development of an important sector of the economy, and one of the reasons was the tug-of-war over the official definition to precisely identify what is included in "small business." The significance paid to the definition is justified by the desire to prevent the more favorable status being taken advantage of by all those activities and undertakings which do not belong in this sector. The stress on the status of "small business" as an inevitable condition for the undertaking to deserve social support clearly indicates the fear of initiative.

The predisposition toward restrictions and conditions on the granting of status as an incentive derives first of all from the inertness of government agencies and from the reluctance to exercise direct supervision so as to discriminate the cases of excess from the activities for which there is an evident social need. The constitution (Article 64) guarantees the freedom of self-employment in all activities and provides that law "may specify the activities in which independent personal labor may be performed with privately owned assets [self-employment], when the social interest so requires." We have two different orientations here, since defining what is prohibited is not the same thing as defining what can be developed.

The restrictive logic is also manifested in delimitation of production and service crafts and trades as the domain for development of self-employment, while trade, housing and municipal services have suffered a marked neglect. Nor is it difficult to prove the lack of detailed arrangements in sectors where self-employment has a very significant role such as farming or hostelry and tourism.

The unutilized potential in agriculture is demonstrated by the datum that almost one-tenth of the land still tillable is not being cultivated. We should bear in mind in this connection that what is called "anomalous" land is considerably more extensive than total cropland. It is also well known that the area of plowland and gardens has diminished by 450,000 hectares over the last two decades, most of it eaten up by haphazard construction.

Far from us to support an orientation toward slower deagrarianization or diversion of the logical flows of migration from the landholding to nonfarming activities. However, a whole series of indicators state unambiguously that unutilized natural potential for food production is not a direct consequence of industrialization and that the rise of productivity in agriculture is not keeping pace with the transfer of population to nonfarm activities. The private sector of agriculture, which possesses 84 percent of the potential for food production, is lagging appreciably behind in productivity. Only one household in six is oriented toward specialized production for the market. Research has demonstrated that rural households derive half of their income from outside agriculture, which is also a consequence of an altogether understandable tendency when we bear in mind the datum recently cited by the chairman of the Federal Executive Council, that the income of a farm household is half that of a nonfarm household.

Affirmation of self-employment in farming essentially means making agricultural production more attractive and creating conditions for intensive development of the agrarian complex, without which the desired transformation of the economic structure characteristic of an industrial society cannot take place.

Unutilized potential for self-employment in tourism is manifested above all in the fact that the average bed in private tourist lodgings is used barely 1.5 months every year. Of the approximately 300,000 beds in the private tourist industry, which is one-fifth more than total hotel capacity, not even one-tenth are in lodgings where complete services are offered to guests. The neglect of self-employment, which can be seen by the underdevelopment of small-scale room-and-board arrangements, leaves unused a sizable potential for increasing the volume and improving the quality of services.

The absence of a more flexible and vigorous development policy in the tourist industry has had the result that it does not pay to expand activities and round out services. Instead of significant incentives for development in tourist-oriented opstinas and regions, restrictively oriented practical policy has objectively favored the human inclination to realize at least some more modest income with a minimum of labor. The chronic shortage of hostelry personnel offers additional incentive for the optimum of private income to be sought in a combination of personal income from employment in the socialized sector with the renting out of beds in one's own house. The timidity about offering broader opportunities for development of private initiative in tourist hostelry, at least to the limits which the law allows and which have not even been approached, is opening up room for the nonchalance that goes with monopoly. Not only the socialized sector, but also those private individuals who have legalized their operation, are free of competition. Of course, the private hosteler who has the status privilege of being one of a very few or even the only one in a town has no reason whatsoever to be concerned about the prices and quality of his services. Moreover, in that respect the tourist hostelry industry is no exception.

Timidity Is Nurturing Monopoly

The natural motivation of initiative is the desire by private individuals to maximize their income. This has been institutionalized in associated labor, but not in the private sector. Both sector are typified by inadequate economic motivation, but self-employment is burdened as well by an aversion that comes from the fear of excessive enrichment, since the makers of practical policy do not have or do not believe that they have reliable means of supervision which would prevent unjustified enrichment. The consequences are seen most clearly in the widespread restrictive practices, which ultimately make associated labor considerably more attractive than personal initiative combined with investment of private capital.

Though the advantages which development of self-employment offers to overall economic and social development have long been known, there are very frequent examples of a tightening of conditions for this type of employment. The "small businessman's" initiative is clearly important to rounding out the economic structure, to expanding the assortment of goods which cannot be profitably produced in a strictly industrial manner, to satisfying the ever more elaborate needs for various types of services and especially to increasing the productive employment of the population. Nevertheless, almost every day we can find news or articles in the newspapers about the golgotha suffered by those who want to invest their capital in an economic activity which will provide them income and will ensure better satisfaction of the needs of society.

A typical case is that of the private poultryman in Zemun who in order to open a shop was required to furnish not only the usual guarantees, but also a certificate to the effect that he had no sponsor. When he asked for a design from the Bureau for Construction of the City of Belgrade, they told him that he must first obtain the consent of the electric power company for an electric power connection, and the electric power company required that he have an approved design before they would grant that consent. After he did somehow escape this vicious circle, the people in the bureau sent him to order the design from a private architect. He then obtained everything required for a building permit, and when he had overcome all the difficulties, both the opstina and the city bureau for construction sent him bills for the rent.

A second example also involves a willingness to invest capital in trade on the basis of self-employment. The Bojnik Opstina Assembly ordered the closing of a private poultry shop in the village Dragovac which has been open for a year before the opstina assembly exercised its legal right and adopted a decision that private commercial shops could not be opened in certain places (including the village in question). The rationale for this decision was the opstina assembly's desire to prevent a private businessman from competing with commercial organizations of associated labor. This case had an epilogue in a trial before the Constitutional Court of Serbia, when it turned out that there was not sufficient legal basis for the closing, since the decision was put into effect retroactively.

The fear that the competition of private businessmen would threaten the socialized sector sprang up because of the story about the fate of a little coffeehouse in a Slovenian opstina. When it opened a few years ago this "pesky innkeeper" quickly attracted customers and thereby frightened the local hostelry enterprise, and opstina agencies adopted an attitude of drastic strictness in response to its pressure. The "host" gave in and sold the place to the hostelry organization of associated labor which had been "threatened," but the customers began to stay away from the little coffeehouse. At this late date someone thought to offer the owner a chance to take over his former place. He accepted, again the place is full, but they say that the host, probably aware of his superiority over the

socialized sector, no longer exaggerates in his zeal to achieve the quality of service and selection he provided formerly.

Another piece in the picture of the socialized economy's fear of competition from the private sector is the reaction of the trade association in the regional economic chamber when in late June the Titovo Uzice Opstina Assembly adopted a decision on the opening of private shops and stores throughout the opstina. Organized trade described the decision as paving the way for the tendencies of privatization in supplying principal foodstuffs. This step, they went on to say, opens the way to various kinds of malverzation and jeopardizes the operation of the food stores of existing organizations of associated labor. The panic of a Goliath at the very sight of David (who in this case does not even have a slingshot) is understandable only if we see it as the desire to preserve the comfortable business situation which monopoly guarantees.

Maximum Zeal--Minimum Security

Of course, the fear of organizations of associated labor that they might be threatened by the business acumen of private entrepreneurs is not the only hindrance to a further spread of self-employment. We surely must also add the various self-appointed fears--on behalf of society--of excessive enrichment and expansion of the business activities of private entrepreneurs.

When we speak of commitment of private capital to develop small business, there is the suggestion that this is a joint enterprise of those investing money and of many others who are investing nothing. The "seeking of opportunities" to obtain capital usually refers to the savings of individuals earned by working either in Yugoslavia or abroad. By all appearances partnership is conceived as the readiness of one party to invest his good will and certain deductions and on the part of the other to invest the initial capital and do the work and take the entire risk as to the outcome of the undertaking. Instead of concentrating on providing the conditions under which owners would have a real motivation to invest their money in economic activity, opstinas are usually becoming directly involved, "concerning themselves" with the content and quality of the development program, and making judgments as to whether the market offers prospects for the future establishment to survive and prosper. Thus the executive body of a Belgrade opstina rendered the verdict that the founder of a contract organization to service and maintain typewriters and other office machines could not do business successfully, since for years an organization of associated labor in the same field had languished in the same opstina.

The desire of the competent authorities of sociopolitical communities to be involved in the actual operation and in the purely business aspect of developing economic activity based on self-employment, but without making a material contribution or bearing economic liability, is also evident in the excessive predisposition to quantification. Those outside who exercise

various powers are manifesting their concern for the development of small business primarily by setting the targets which the businessman, provided he fulfills all the conditions of suitability, must meet in terms of the volume of business, the level of income and the number of new jobs. The license to undertake an economic activity frequently depends on more or less subjectively evaluated needs of the opstina or region and strictly quantitative indicators both with respect to the desired level of satisfying needs and also with respect to the desired increase of economic activity, employment or improvement of the supply of some commodity.

The normal orientation of public concern to establish conditions under which the businessman's initiative will spring up, will persist and--if it proves incompetent or harmful--will be eliminated, is thus twisting about in a tangled ball of confused roles. The complicated procedure that must be followed for any business undertaking to commence tends to maintain the situation in which roles are confused. Moreover, this procedure diverts a sizable portion of energies which are already scarce into the technical administrative area. Thus in actuality an additional obstacle is set up to any business initiative.

Nevertheless, the primary element which has an inhibitive effect is still the lack of economic motivation. One can hardly expect someone to invest hard-earned money if he has almost no visible incentive nor guarantee that he can count on support of the "community," at least not until he stands on his own feet and develops the business. In such a situation people decide rather to spend their money on consumption than to clear a way through the briar patch of various obstacles only to reach uncertainty, which along with inflation and difficult business conditions, is compounded by the many latent and open fears about enrichment and exposure to the possibility of persistent dissection in order to ascertain the origin of property. Under such conditions, when there is this strangely variable "social climate" and policy with respect to the development of self-employment, the absence of the anticipated expansion of contract organizations of associated labor, which will be one of our topics in the next installment, turns out to be clearer.

[18 Aug 80, pp 16-17]

[Text] The indubitable need for more intensive development of self-employment is based on the manifold advantages which society would have from investment of otherwise idle capital, personal initiative and the full responsibility which those operating with their own capital cannot by the nature of things avoid. Nevertheless, as we have seen from the examples given in the first installment (EKONOMSKA POLITIKA, 28 July 1980), the enterprise and desire of individuals to invest their savings to develop some business activity--this also applies to noneconomic activities--comes into conflict with fear or inertia. Fear and inertia are also affecting contract organizations of associated labor, which are a socially recognized form for self-employment to expand and for the private establishment to grow to become an organization of associated labor.

In spite of the smiles of good will which opstinas which have marked needs for new jobs and development are wearing, expansion of contract organizations of associated labor has not attained the expected dimensions. Over the last 3 years some 70 UOUR [contract organizations of associated labor] have been established; they employ a total of about 1,000 workers. Proceedings are under way to establish another 30 or so contract organizations, but it is hard to foresee when they will actually make their appearance, since the founding procedure lasts as much as a year.

The gap between the expectations of the authorities and the readiness of potential initiators to invest their capital and labor will persist so long as 32 clearances are required to establish a UOUR, including a permit from the organization of associated labor of the same kind which has its headquarters in the same opstina.

Regulations adopted in recent years to elaborate the provisions of the constitution and the Law on Associated Labor foresee--in most republics--that the capital will be returned to investors over a period of 10 years provided the annual payment does not exceed half of the annual amount set aside to expand plant and equipment. During that time, until the UOUR grow to become socialized economic entities (organizations of associated labor), the founders act as managers and bear more responsibility than other personnel for the business success of the collective. The rate of interest, which as a rule trails far behind inflation--figures as the only instrument, a weak one at that, for protecting the initial investment against devaluation by inflation--though the constitutional provision in no way, at least not explicitly, confines protection of the past labor invested solely to interest.

Among the contract organizations that already exist there is not a single one which is operating at a loss, and the personal incomes of employees are appreciably higher than earnings in organizations of the same kind founded by the public. The dynamism of development is best illustrated by figures for Slovenia, where there are 25 UOUR operating. Gross income last year was up 50.7 percent over the previous year, income was up 45.4 percent, net income was up 43.1 percent, and personal incomes were up 38 percent; however, it is also in Slovenia that a special program is being prepared to invigorate development of UOUR, since they note that the number is not increasing, that is, that interest is dying out in establishing this form of pooling labor and capital.

Obstacles Stronger Than Incentives

Though obviously the basic economic motivation is inadequate, potential founders of contract organizations of associated labor are not sufficiently encouraged by any sort of additional privileges. They have the same treatment as all other private businessmen when they import equipment, and they have almost no opportunities to obtain the right to foreign exchange. The founder of the Suvenir UOUR of Belgrade, which is doing an excellent business producing various types of albums and similar goods, has announced the

possibility of his moving to another republic since the self-managed special-interest community for economic relations with foreign countries has not allowed him to import a machine which is not produced in the country and for which he has provided the foreign exchange. Another reason might be that his local opstina (Cukarica) has refused for a long time a permit to erect a prefabricated structure.

Troubles with business space have become almost proverbial, and all those who want to provide work for themselves and others by investing their own capital come up against them. The UOUR Elektromiki, which produces teaching aids for specialized education, including complete display rooms for physics, employs some 20 workers cramped in 30 square meters. Its founder says that he could employ another 30 or so specialists, including some who have been permanently on the rolls of the unemployed, but he is unable to furnish a larger place of business.

The next obstacle is related both to capital and also to administrative procedure which has not been adapted to the particular case. To establish a UOUR and to be entered in the register of the economic court, one must among other things obtain a certificate that the money for fixed capital and working capital has been deposited in a giro account. However, the Social Accounting Service opens a giro account only after the entry has been made in the court register.

Self-employed persons who want to open up an ordinary private shop face obstacles which are equally great. To equip a store, say, in accordance with the conditions prescribed, one must have several hundred thousand dinars. In addition, to open a private store the founder must have at least the specialized training of a skilled worker in the field of commerce and at least 3 years' experience in commercial activity. This means that no one who has not worked in trade can open a private store, even though he has the capital--which one could hardly expect to earn by working in retail trade in the socialized sector. It is no wonder, then, that those in authority in the assembly of the city of Belgrade say that no one has inquired about private commerce for some years now, though people are nevertheless interested in the conditions for opening establishments in the crafts and trades and hostelry.

The increasingly frequent disruptions on the market, which are not correlated directly and exclusively with the shortage that comes from inadequate production, have brought more public attention than before to shortcomings in the distribution of goods. Thus we now note that in one Belgrade opstina where trade has only 0.13 square meter of sales space per capita, there is store space which has been empty for years in apartment buildings, since those for whom they were intended are unable to put them to use.

Competition of Goods, But Not of Firms

More intensive development of self-employment in trade would make it possible to develop authentic competition of goods instead of competition among firms, which usually ends in a monopoly and a closing off of the market out of the desire to guarantee easier conditions for the domestic producer or tradesman. Trade in agricultural products is characteristic in this respect, since considerable amounts of goods from private farms have no access to the cities. Now people are getting the idea of legalizing "traveling poultrymen," who would carry their goods to the customer's door, and also of expanding the functions of open-air municipal markets, whose number is small. The Permanent Conference of Cities and Opstinas is proposing that market administrations make it possible not only to rent counters, but also to purchase fruit and vegetables and to lease storehouses. Of course, if the proposal of the association of cities were to go no farther than expanding the powers of the market administration, that would pave the way for consolidation of new monopolies. It would be a significant and worthwhile change if with reasonable and effective control all those capable of providing a larger and better-quality supply, including dealers and traders, became active.

The empty places which the underdevelopment of self-employment has left in the supply of goods and services on the market are not noted solely in commercial activity. It is an indicative statistical datum that employment in the so-called private property sector increased only 3 percent in the decade 1968-1978 (from 100,000 to 103,000). The share of this sector's labor force in the total labor force dropped over the same period from 2.8 to 1.9 percent. The relative lag of the crafts and trades in the socialized sector and the insufficient involvement of self-employment in agriculture and tourism (see the first installment), clearly indicate the unused potential for augmenting economic activity and speeding up overall development.

It is obvious that restricting the real incentives for self-employment to timid and local tax exemptions, which has been the practice up to now, is inadequate if we take into account that the opstina tax amounts to only one-tenth of the total payments which a private craftsman or tradesman, say, must make for social service and public purposes. Certainly this has been the main reason why in Domzale Opstina, where "small business" is fairly well developed, incentives are sought primarily in removing obstacles and streamlining the procedure. Nor is it probably accidental that it was that opstina that has been obtaining a larger portion of its budget revenues (43 percent) from private craftsmen and tradesmen than any other opstina.

The Outlets of Hampered Enterprise

The Zagreb Center for Marketing Research has estimated on the basis of a survey that in the country at large more than a million people are performing (and collecting for) the jobs of building houses, maintaining dwellings

and household appliances or rendering other consumer services without a license. The estimate does not seem too high if we compare it with others which indicate four times as many operators in the "gray economy," in the space of which even the most rigorous public control would be helpless.

In any case, it would be altogether unrealistic to expect anyone whose plumbing or wiring breaks down to rely on the willingness or capabilities of the municipal service centers designated and authorized for maintenance, which are usually too busy. It is also difficult to believe that they will indignantly refuse the offer of a dealer or smuggler when a particular article is not available on the legal market. Private mechanics have all the work they can handle maintaining and repairing automobiles for the simple reason that there are not enough garages of this kind, and good market conditions are therefore also maintained for those who operate without authorization and without being registered. It has been well known for a long time then that any auto part can be obtained more easily at a "flea market" than in a store, but we still have not noticed nor heard of the intention of any economic organization to earn its income by selling parts from disassembled vehicles, which are in demand.

One could go on listing examples indefinitely. The stubbornness of the "gray economy" is abundantly fed by the shortage of goods and services. It can be combated only by developing regular and regulated supply regardless of whether we are talking about the unauthorized rendering of craft and trade services, street peddlers of all kinds of goods, tailoring and dressmaking, or even the renting of dwellings or medical and dental prosthetic services.

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FOREIGN TRADE DATA FOR MID-AUGUST 1980 GIVEN

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Sep 80 p 3

[Article by Simona Jankovic: "How To Proceed When Imports Are Increasingly Expensive"]

[Text] To whatever extent estimates of the possibilities for the economy's export-import activities, especially opportunities for increasing exports, have depended on external factors dictating the situation and trends in the world economy, some realistic evaluations are possibl . Even they are furnished as guideposts which, though not perfect, are still indicative of a majority of the industries and economic sectors in their effort and the measures they take toward maximum exactness in fulfilling the planned proportions and absolute quantities. Thus a recent survey done in the Yugoslav Economic Chamber or, more precisely, by the regional committees, sections and joint representative offices of the economy abroad, points very directly to certain specific undertakings in carrying out the agreed policy--aimed, of course, at achieving real changes in the entire foreign trade sector. After all, judging by the official figures arriving from the Federal Bureau of Statistics, the results achieved so far in commodity trade with foreign countries are favorable, but still not good enough from the standpoint of the payments-balance needs of the country as a whole.

Foreign Commodity Trade From 1 January to 15 August 1980, in millions of dollars

	1 Jan to 15 Aug		
	1979	1980	Index
Exports--total	3,989	5,326	134
Advanced countries	1,808	2,123	117
Developing countries	659	1,065	162
Socialist countries	1,522	2,138	140
Convertible	364	423	116
Bilateral	1,158	1,714	148

Table (continued)

	1 Jan to 15 Aug 1979	1 Jan to 15 Aug 1980	Index
Imports--total	8,550	9,195	108
Advanced countries	5,355	4,954	92
Developing countries	1,202	1,640	136
Socialist countries	1,993	2,602	130
Convertible	509	502	97
Bilateral	1,483	2,099	141
Trade deficit--total	4,561	3,869	85
Advanced countries	3,547	2,831	80
Developing countries	543	575	106
Socialist countries	471	464	98
Convertible	145	79	54
Bilateral	325	385	118
Coverage of imports by exports (%)	47	58	
Advanced countries	34	43	
Developing countries	55	65	
Socialist countries	76	82	
Convertible	72	84	
Bilateral	78	82	

Note: The dollar was computed at the rate of 27.30 dinars.

If we take separately the value of commodity exports, according to the table they have so far increased 34 percent in nominal terms and 12 percent in real terms. The value of imports has risen 8 percent, while the actual volume has dropped about 12 percent. Also, the trade deficit was $3.869 billion--that is, $692 million smaller than in the same period of last year. We should also mention that the coverage of imports by exports was 58 percent (in 1979 it was only 47 percent). In the first 6 months, however, export prices were up 20 percent and import prices 23 percent.

We should add that the regional pattern of trade has improved thanks to larger exports to the developing countries and then a decrease in the commodity trade deficit with the advanced countries of the West and also with the socialist countries.

Nevertheless, the trade deficit exceeds the limits envisaged by the projection and necessary to fitting within the annual payments deficit of $2 billion.

In general the trends of exports up to this point and estimates of the general associations and sections in the Yugoslav Economic Chamber concerning potential for the growth of exports up to the end of the year indicate that

somewhat larger sales of goods can be achieved on the foreign market, but only if all other conditions are assured for production of the goods intended for export. Because of the inadequate and irregular supply of raw materials, supplies and energy to production in the first half of the year, and this is expected to be greater in the second half, specific measures will have to be taken to fulfill the plan export targets, as well as the augmented needs for export. At the same time, business executives point out, a commitment will have to be made to import those things necessary to the normal conduct of production when they cannot be purchased from domestic sources. Only in this way, the business executives emphasize, will it be possible to bring the present payments deficit within the planned $2 billion.

The country's economic structure and the composition of its exports are such that we must continue in the future to count on imports as a normal item.

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STATISTICS BUREAU RELEASES EMPLOYMENT FIGURES FOR APRIL

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 25 Aug 80 p 30

[Text] According to data of the Federal Bureau for Statistics, in April of this year there were 792,000 people looking for work in Yugoslavia, 531,000 of them, or about 60 percent of the total number, seeking work for the first time, while at the same time there were about 95,000 job vacancies. The situation, then, is somewhat better than in the previous month, when 805,000 persons were awaiting work and there were 94,000 jobs offered.

As compared to April last year the number of those seeking work has risen, however, 2.3 percent and the number of job vacancies less than 1 percent.

Those awaiting employment included 328,292 persons with specialized training (in April last year they numbered 305,445). The largest group among them have secondary education--154,879 (140,893 last April) and 135,000 were skilled and highly skilled workers (a year earlier they numbered 140,000). There were 16,046 unemployed persons with senior postsecondary education (13,464 the previous April) and 12,277 persons with junior postsecondary education (in April 1979 they numbered 10,679).

That same month, however, only 52,855 job vacancies were filled in spite of this large number of those seeking work. The explanation for this is as old as the situation itself, which has been recurring year after year: the job openings require education and specialists for which there is a shortage, while the unemployed in turn offer knowledge which does not correspond to the needs, mainly in the economy. In industry and mining, for example, only 17,214 of the 28,291 job vacancies in April were filled; in construction 18,123 new workers were sought, but only 10,000 were hired.

In the breakdown by republics the rolls were longest at employment security communities in Serbia, which accounts for more than half of all the unemployed--427,516. In Bosnia-Hercegovina 133,015 persons were looking for work, in Montenegro 23,099, in Croatia 80,827, in Macedonia 117,608 and in Slovenia 9,810.

The figures for May are slightly better, since the number of unemployed dropped to 770,000 thanks to seasonal work, but this year it is still higher than in 1979, when 753,000 persons were looking for jobs in Yugoslavia.

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ORGANIZATION OF PRIVATE FARMERS LAGGING

Zagreb VJESNIK in Serbo-Croatian 27 Aug 80 p 4

[Article by Mirko Sajler: "The Peasant Must Not Be Deceived"]

[Text] If the differences in yields between the private sector and the socialized sector of agriculture were narrowed by only half, Yugoslavia's peasants would yield 1 million tons of wheat and 2 million tons of corn more than they do today.

At a time when our society is struggling to intensify agricultural production and to substantially increase food production, the private sector cannot and dare not be ignored. The reason is simple: 85 percent of the plowland and a still higher percentage of the livestock population are still in the hands of Yugoslav peasants, but the farmland and livestock operations of the socialized sector still provide larger amounts of food. This is proof that Yugoslav peasants are still not utilizing their production capabilities. According to a calculation of the Federal Committee for Agriculture, the private sector could produce 1 million tons of wheat and 2 million tons of corn more in a year than it is now producing if the difference between its yields and the yields of the socialized sector were cut in half. That is, even though the land of private farmers usually borders on the land of the socialized sector, average wheat yields are as much as 20 quintals per hectare lower.

The Threat of a Migration by 4 Million People

What should be done to invigorate these huge sources of food? First of all, the private farmer dare not be left to himself and omitted from all the plans for development of agriculture. The formation of cooperatives, cooperative arrangements, OOUR's [basic organization of associated labor] and work organizations of associated farmers, and other forms whereby the Yugoslav peasants pool their labor and capital with one another or with socialized organizations should be speeded up. But little has been done so far in this area. Only 300,000 of the 2.4 million farm households in Yugoslavia are members of the 2,000 cooperatives or organizations of cooperators. The reason that there are too few of these organizations and too few

cooperators who have entered into association in them is usually inconsistency in conducting the policy agreed on. In many communities purchase and sale relations are still predominant between the peasant and society, rather than the relations of shared income, as it ought to be. Many organizations try to deceive the peasant in order to augment their income, since they have not established cooperation with him on the principles of shared income. They want, then, to retain the old situation, wrapped in the fleece of the Law on Associated Labor. If this kind of behavior toward the peasant continues, the planners expect that by the end of this century about 4 million people will attempt to infiltrate into the cities from rural areas, and as many as 1.5 million of them will be seeking jobs in industry. In order to avoid this stratification of the rural community and rural-urban flows of migration, particular importance must be paid in the coming medium-term plan to rural development and agriculture.

The Plan Up to 1985

The future plan for development of the agroindustrial complex up to 1985 does in fact foresee this. In devising it the republics and provinces committed themselves to provide the initial funds for investment in the transformed and newly formed agricultural cooperatives, organizations of cooperators and other forms of association. Incentives are also envisaged in the form of exemptions from taxes and certain contributions, and it has even been proposed that the base for taxation of income earned by associated farmers be reduced by as much as 50 percent by comparison with the obligations in effect up to now. An example from Slavonia shows how important this is. In that region, which is Yugoslavia's second grain-growing area in size and importance, the private farmers own about 17,500 tractors. But this powerful machinery is still not pooled, since as soon as they do so, the farmers must pay sizable social obligations. So they still operate without an association, rendering their services to the people around, collecting for it, but paying no taxes and contributions whatsoever, since jobs done this way are not recorded anywhere. And the farmers have certainly figured out that it is better to operate in this unauthorized way than to enter into association and end up paying social obligations which are not small.

Resistance on the Part of the Combines

Faster inclusion of private farmers and private farms in socially organized agriculture, which is set forth quite clearly in the Law on Associated Labor, has encountered resistance where it was least expected--in the combines. Thus the letter of the law means one thing to us, and practice something else. In some combines an endeavor is made to retain organizations of associated labor for cooperation instead of transforming them into basic organizations of cooperators. There are attempts to resist the development of cooperatives and refusal to hire private farmers. That is, no one wants the peasants in the enterprise. It is interesting and disturbing that in Croatia only 517 private farmers have so far been hired, not a one

of them from the regions of Slavonia and Baranja, where this type of production is most highly developed. The private farmers have been hired predominantly in the Split and Varazdin opstinas, and to a lesser extent around Gospic, Bjelovar, Karlovac and Zagreb. These are mainly producers of milk and livestock.

This kind of attitude toward the private farmer is determined above all by the avoidance of a possible risk. It is quite clear that it is incomparably easier and safer to establish purchase-sales relations than to cooperate with the private farmer on the principles of shared income. In spite of the Law on Associated Labor, then, which clearly indicates that they should cooperate with the private sector, many combines are retaining commercial relations represented by the "buy-and-sell" system.

New Policy Toward the Private Sector of Agriculture

This must change if the private sector is to survive as an inexhaustible source of food, if the migration of peasants to the city with its string of social and public problems is to be prevented, and if we are to utilize everything that our country can do to increase the production of foodstuffs. We should add to alteration of the attitude of socialized organizations toward the private farmer the need for industrial plants to be built in the larger villages where surplus manpower would be employed. This is a way of creating mixed farmer-worker households, which quite certainly would be economically stronger. The Federal Committee for Agriculture will also call upon the commercial banks to alter their policy toward the private sector and to conclude self-management accords with the associated private farmers for the credit financing of food production.

The competent sociopolitical communities will have to pay more attention to building infrastructural facilities, highways, water supply networks and then schools and health institutions. This would encourage many people to link their existence to rural areas and food production, which would ultimately mean that we would have sufficient foodstuffs not only for our domestic needs, but also for the world market, on which there is a shortage of such commodities.

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AVERAGE PRIVATE FARM INCOME, EXPENDITURES IN 1979

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 1 Sep 80 p 35

[Excerpt] In the revenues of farm households, which averaged about 130,000 dinars in 1979, the amount earned from farming is declining more and more, namely about 35,000 dinars was earned from farming last year, or 26.8 percent of the average farm revenue, compared to 30 percent in 1978. Incomes earned from jobs held by family members outside farm work, income from social service payments, from rent, from artisan activities, from hunting and fishing amounted to more than this. These sources of revenue accounted for over 51,000 dinars or 38.9 percent of total revenues (in 1978 they amounted to 39,000 dinars or 38.2 percent of total revenue). Farms received an average of 7,700 dinars from sale of property, inventories and similar transactions, or 5.8 percent of total revenues, while consumption of their own products is estimated to be about 27,000 dinars, or 20.2 percent of revenue.

Farms in Vojvodina and Slovenia had the highest incomes, namely, about 194,000 dinars. Most farm revenues in Slovenia came from work not connected with farming (49 percent), while in Vojvodina revenue from farming itself accounted for 41 percent of all revenue. Farm revenue in Croatia averaged about 105,000 dinars, 46.7 percent of which was earned from work outside farming.

In the average 4-to-5 member farm household most expenditures are for food and beverage (31.2 percent of all revenue), 6,500 dinars, or 5 percent of revenue, is spent for shoes and clothing, 6,700 dinars, or 5.1 percent of revenue, is spent for living quarters, heat and light, while 4,500 dinars, or 3.5 percent of revenue, is spent for transportation and PTT services.

Production costs on farms averaged 12,000 dinars in 1979, or 9.1 percent of revenue, investment in the farm averaged 7,800 dinars, or 5.9 percent of revenues, and payments for taxes and [state] contributions amounted to 2,800 dinars, while payments on debts averaged 3,900 dinars, or 3 percent of revenue. All other costs of farm households amounted to 16,800 dinars, or 12.8 percent of all revenue.

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CROATIAN, NATIONAL OUTLOOK FOR EDIBLE OIL PRODUCTION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Sep 80 p 4

[Article by Tomislav Kapetanic: "Oilseed Is Taking Over the Fields"]

[Text] In our country at the present time there are more than 20 oil producers, and according to estimates of experts vegetable fats coming onto the market are of very good quality. There are after all few countries which have sunflowers such as grow in Yugoslav fields, and their seed is our principal oilseed. Unfortunately, not enough is produced. Oil consumption is growing very rapidly, and these products are mixed, and the producers are not required to indicate on the bottle the origin of the raw material from which it was made. An oil manufacturer in Zagreb puts in his "mixed" oil "old timey" oil from rapeseed, which only in recent years has begun again to establish itself in our fields. This oilseed is now on a par with sunflowers thanks to the most recent decision of the Federal Executive Council.

That is, a decision was made to change the producer's sale prices of sunflower seed and rapeseed of this year's harvest. The producer's sales price of these two oilseeds was raised from 6.80 to 8 dinars per kilogram. In this way, the judgment runs, considerably more favorable conditions are created for increasing purchases of oilseed, for higher production of oil and for better supply of this product to the market. There is a temporary ban, up to the end of this year, on exporting oils to the foreign market so that there will be enough to meet domestic needs, since our oil consumption already ranges at a per capita annual level of about 10 kg.

Times Are Changing

There are fewer and fewer households that use lard for cooking. Whereas 15 years ago per capita consumption of lard was about 7 kg and that of oil only 3 kg, today it is quite different; it is estimated that the ratio is 90:10 in favor of vegetable oils. For a time between 1965 and 1971 oil was cheaper than lard, and it easily won consumers over. Oil is now more expensive, and even so demand is at the "white-hot" level, while the demand for animal fat has dropped off altogether.

The situation is similar on a world scale, oils long ago took over: 60 percent of the fats used in preparing food are today of vegetable origin. About 150 million tons of oilseed are produced annually from a large variety of plants: soya, sunflowers, the peanut, cotton, the oil palm, the coconut palm, and rape. In all there are about 300 plants from which oil and fats can be extracted. From the standpoint of profitability it pays to raise rape along with sunflowers in the moderate climatic zone. Other domestic oilseeds, such as mustard, flax, poppy, and so on, have little significance in an economy producing fats for food.

Only the most elderly inhabitants of our country have forgotten the taste of oil from rapeseed. Finally, we should also say that at one time the farmers regarded rape as a good plant to raise (from the standpoint of profitability), and it was also of interest to the processor, the oil industry. Its yellow flowers blossomed in fields from Slavonia to the Drava Valley and the Medjimurje, and the first oil mills in fact sprang up in the areas where these fields were located. Sunflowers, however, have predominated in all the plains areas, and only when imports of large amounts of soybean oil from the United States began, did rapeseed come back. Moreover, arguments were also set in motion about rapeseed being "hazardous" to health. Poland and Sweden, for example, were not taken in by that tale about rapeseed being hazardous, and they have developed intensive production of this oilseed, accompanied by obvious progress in both selection and soil and crop practices. Nor have rapeseed and rapeseed oil been neglected by the French nor even the Italians.

India leads the list of rapeseed producers (25 percent of world production), though this oilseed is especially interesting to Europe as well and especially countries located at some distance from the Mediterranean. Extensive experiments are being conducted with rape. Over the last several years selection efforts in the GDR have yielded many new so-called winter varieties, and they have been put into production in the shortest time (the yield averages about 20 quintals per hectare). But at the same time something much more important has also been achieved--the fat content has been raised 48 percent, which is considerably above the international average. Since the GDR, like many other countries, has been forced to import oilseed, this means considerable savings for it, and at the same time it is an incentive for other countries to begin to plant this crop.

The Most Recent Prices Favor Planting

This is that rape is back with us again. In Croatia (which by tradition and its favoring climatic conditions is at present the most important area for raising rape in Yugoslavia, it is also being planted this year in Macedonia) 5,000 hectares were planted, for example, in 1974, in 1975 the area was already 10,000 hectares, and this year production is planned (planting is under way) on 25,000 hectares, the most up to now.

It has been demonstrated that the raising of rape under our conditions is a highly profitable undertaking, and specialists of the oil mill in Zagreb say that our eating habits also favor this oil.

According to a projection of the development of oilseed production in Yugoslavia, rapeseed should reach a level of 75,000 tons by the end of this year, which is enough for about 30,000 tons of oil. Last year the interest of socialized farms in this republic was not quite as great in planting rape, mainly because of the low purchase price. The most recent prices of oilseed, which put sunflower seed and rapeseed on a par, came at the right time, at the very height of preparation for planting (which begins earlier with the present varieties). But since new and later varieties are also being introduced, it is expected that the planting program will be fulfilled and that therefore it will not be necessary to import raw materials for the production of oil. Certainly this is more worthwhile and cheaper than purchasing oil abroad.

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OTHER REPUBLICS SAID TO EARN HARD CURRENCY FROM CROATIAN GOODS

Zagreb VJESNIK in Serbo-Croatian SEDAM DANA Supplement 13 Sep 80 pp 6-7

[Interview with Lazo Drljan, graduate economist and director of the work organization Vanjska Trgovina (Foreign Trade) of the Zagreb Agroindustrial Combine Sljeme, by Salih Zvizdic; date and place not given]

[Text] Lazo Drljan, graduate economist, is director of the Vanjska Trgovina Work Organization of the Zagreb Agroindustrial Combine Sljeme, whose export-import organizations exported goods worth $16 million in 1978 and about $15.5 million last year, and the value of their exports in 8 months of 1980 exceeds $13 million. With those exports they cover all the combine's import needs and achieve a certain surplus of exports over imports. That is why Sljeme is among the so-called active exporters (sixth on the national list in its activity).

We conducted an interview with director Lazo Drljan about current problems with exports, especially those which affect active exporters such as his work organization.

[Question] Recently you have been greatly involved personally in solving the problems that particularly affect active exporters. What is this about?

[Answer] It is certain that the active exporters are bearing the main burden of augmenting exports and reducing the trade deficit, which, of course, does not bother us. But it does bother us that we have an unequal position as compared to the so-called passive exporters, i.e., those whose exports are smaller than their imports, and as compared to the quota recipients, who use a specified amount of foreign exchange, but do not export anything.

How Export Dollars Melt Away

[Question] Can you back this up?

[Answer] Abundantly. To illustrate, the rights to foreign exchange which we earned last year were simply taken away from us, and because of the well-known restrictions on imports, we have not been able to use them before the end of the year. This means that that amount of income in the form of foreign exchange was taken away from us, and we even had quite a few difficulties obtaining imports for our own needs. We are particularly upset by this because we earned that foreign exchange on the basis of regulations established in advance and the agreements of the Self-Managed Special-Interest Community for Economic Relations With Foreign Countries. Moreover, this year our foreign exchange quota has thereby been decreased by 30 percent, so that today we have at our disposition only 49 percent of the foreign exchange which we earn, as called for by the regulations, of course, while some organizations have even less foreign exchange at their disposition.

[Question] To what extent does this act as a disincentive on active exporters?

[Answer] This is easy to explain. As is well known, in spite of the support and incentives, a loss is incurred in exporting, i.e., in earning foreign exchange. At the same time the foreign exchange taken away from us is given to other users who earn money on that foreign exchange. So, we incur losses in order to obtain the foreign exchange, while others using that same foreign exchange can only show a gain.

[Question] Would you like to give an example?

[Answer] There are many of them, but I will mention one: a well-known and successful organization which in many respects is on the list of the best in the republic, Podravka in Koprivnica, has imports twice as large as its exports. A portion of the foreign exchange which Podravka uses comes from Sljeme, since it is an active exporter, but which, however, has for a long time been burdened with losses. Of course, this then has an effect on the behavior of the active exporters, who lose interest in exporting. In the first half of last year we exported more than $10 million worth of goods, and then in the second half, when our rights began to be diminished unjustifiably, we exported only about $5 million worth. Others are doing the same, and thus millions of dollars from exports are melting away.

[Question] Some say that the active exporters cannot be granted greater rights because the payments-balance situation of our republic does not permit!

[Answer] This "reason" is frequently heard even when at the top levels, but unfortunately I must say that it is not correct. This is where the mistake is, perhaps the biggest mistake. The only thing that is true is that we ought to export more, precisely because of the situation with the balance of payments, but provided the exporters are given greater rights in use of the foreign exchange.

Let Us Reach an Agreement

[Question] Recently it was said in a responsible place in Belgrade that our foreign exchange system is good, but that mistakes are occurring because it is poorly applied.

[Answer] That is exactly what we say. Of course, even the foreign exchange system can and must be constantly improved, but considerable difficulties, and we are only talking about some of them here, come precisely from the lack of consistency in applying the system.

[Question] However, there is also the other side--if the active exporters are given greater rights, there will be the question of how to obtain foreign exchange for the passive exporters and quota recipients. Then there is also the problem of certain general needs which cannot be met without foreign exchange, such as petroleum, coffee, tropical fruit, certain consumer goods, industrial goods, and the foreign exchange needed for the medical service, the armed forces, and so on.

[Answer] Now, this is where the greatest error is made and where there is least understanding of our position. We the active exporters are not eating up the foreign exchange, nor do we seek to spend what we have earned solely for our own imports. We are not seeking any kind of absolute freedom in the disposition of foreign exchange. We agree completely that a portion of the foreign exchange we realize is to be used for the general needs of society.

[Question] You are opposed to administrative manipulation of foreign exchange? What is your proposal?

[Answer] If things are simplified, then what is happening to the foreign exchange of the exporters is nothing other than administrative confiscation of foreign exchange and then administrative distribution to others. And all of this is done without us, though we earn that foreign exchange, usually by incurring losses ourselves. This is contrary to our system, and it is also harmful to our economy. We therefore propose that we ourselves would pool a portion of the foreign exchange with other users, after a portion has been subtracted for the general needs of society. We do not even ask that that share be the share we personally desire, but the share that we agree on in the SIZ [self-managed special-interest community]. It is clear that we cannot accept the argument that active exporters must suffer losses just so the country can have, say, coffee and then so that those importing and selling that coffee can show fat earnings. In any case, we all know, administrative confiscation of income is contrary to every statute.

[Question] How would the pooling of foreign exchange with other users look as you see it?

[Answer] We would like to enter into agreement with users of foreign exchange so that the loss and the risk would be jointly and equally borne by exporters and importers. This could even be refined to the point where the exporters would enter into long-term agreements concerning joint production for export and a policy under which importing would be done under the most favorable conditions for both partners and for society as a whole, the ultimate goal being to share income rather than losses and to bring the trade deficit into normal limits and possibly to eliminate it altogether. This is a basic condition for long-term agreements, since otherwise there is no lasting success in augmenting exports and bringing imports into line. In that case the SIZ's would assume their true coordinating role instead of their present role, in which they are burdened with nonself-management and administrative elements of confiscation and siphoning of income, with their harmful consequences, especially to the economy and to the exchange balance.

[Question] Would this require changing the basic enactments, say, the Law on Associated Labor, the Law on Foreign Exchange Transactions and perhaps the constitution?

[Answer] No! Our proposals are altogether in conformity with the basic legislation and require only that they be applied as they are written.

What Is the Situation in Other Republics?

[Question] We have been speaking mainly about Croatia. How has this been solved in other republics?

[Answer] The rights of exporters are greater in other republics, but in the other republics they also enter into public and altogether specific agreements as to how the users of foreign exchange will bear the losses of the exporters. In other words, enforcement of the regulations has gone further than in our republic. Whereas in Slovenia, for example, they publish the percentage of the losses of the exporters which the importers will assume as their share, in our republic we hear only that a self-management accord is reached between exporters and importers on the use of foreign exchange, that the purchase of foreign exchange has been covered, that there has been some kind of "smuggling," and so on.

[Question] These issues have been debated in competent bodies in Croatia. What were the conclusions of those debates?

[Answer] Yes, they have been debated! I would mention two debates of the Chamber of Associated Labor of the Croatian Assembly, one at the end of February last year and the other this July. In February a resolve was adopted concerning the meat industry, which stated: "... to set forth the right of exporting organizations to use foreign exchange for imports up to the amount of 90 percent of the net foreign exchange inflow achieved, as follows: 70 percent for processing materials and spare parts and 20 percent for equipment. Organization responsible: Croatian SIZ for Economic

Relations With Foreign Countries. Deadline: 15 March 1979." Certain conclusions on the same topic were also adopted in the meeting this July, and in accordance with our proposals a recommendation was made to the SIZ to "reassess" the SAS [self-management accord] governing that subject matter. Unfortunately, none of this seems to be binding on anyone.

[Question] Doesn't this mean that in some cases the administration is stronger than self-management bodies in our self-managed society? How is it that the SIZ is operating outside of the SAS?

[Answer] Unfortunately, there are cases when the administration has excessive power. As for the SIZ, in this case it is operating on the basis of a self-management accord which the representatives of the economy adopted in meetings of delegations and in an assembly of the SIZ.

[Question] It seems unusual that you should have adopted an agreement which you are now fighting.

[Answer] That accord was prepared long ago and its adoption was rather late. It passed in a meeting of the delegation which I attended [?], and motions for further debate did not pass. Though procedure is important, I do not want to say that the error lies solely in procedure. It is more important to note the fact that active exporters in our republic are greatly in the minority as compared to the number of passive exporters and quota recipients, and it is certain that that was the makeup of the assembly in which that SAS was adopted. That need not be tragic, but it is tragic that the error is not being corrected.

Differing Interests

[Question] In other words, in practice there is a chasm between the active exporters on the one hand and the passive exporters and quota recipients on the other?

[Answer] Perhaps it is too much to call it a chasm, but it is certain that there is what I might call a pluralism of interests and that our interests cannot be identical so long as the conditions for obtaining and disposing of foreign exchange remain as they are.

[Question] What foreign exchange rights does the SAS you have mentioned grant to passive exporters and quota recipients?

[Answer] It entitles them to use 100 percent of the foreign exchange which they earn by exporting and also the right to obtain 50 percent (60 percent in the case of quota recipients) of the amount of foreign exchange which they used the previous year, and that is the foreign exchange which has been confiscated from the active exporters. So, this is many times more favorable for the passive exporters than for the active ones. But if the situation is correctly portrayed, that is, if note is taken that an inappropriate policy governing the use of rights will diminish exports or the

pace of exporting, it is quite certain that there will be no "chaos," since the representatives of the economy will reach agreement. It is also particularly important to note that this kind of policy even discourages the passive exporters from any substantial augmentation of their own exports.

[Question] How can that be?

[Answer] If they increase their exports beyond their own needs, they are threatened with the danger of becoming active exporters and joining the group of exporters with unfavorable conditions for the use of foreign exchange. That is why they strive to keep their exports at a "certain level."

Smuggling and Smuggling Squared

[Question] To return to your proposals about the pooling of foreign exchange. It is thought by some that after the "agreement" reached by certain representatives of the economy, it could happen that in some places on the internal market the price of foreign exchange would rise high over the official rate. The reference is to what is called smuggling of foreign exchange. What do you think about this?

[Answer] This problem does objectively exist, but should we set fire to the house in order to burn up the mice? We can only guess about what might happen. The basic thing is to take note of the problem and to begin to resolve it correctly, in the spirit of our self-management system. Our statutes say that organizations shall dispose of the foreign exchange which they earn and that the organizations shall agree about the creation and use of foreign exchange. How, then, does anyone become entitled to confiscate foreign exchange from them and at the same time to say that they would smuggle that foreign exchange and in that way upset the official rate of exchange of the dinar and so on. We certainly are not able in this interview to enter into the details of all the aspects of the rate of exchange of the dinar, since that is a separate topic. But I would only mention that the relation between the official and the real rate of exchange of the dinar will by and large be more favorable when, among other things, exports are increasing at a more rapid rate. So, we cannot expect a stable rate of exchange of the dinar exclusively on the basis of administrative orders. Finally, as for smuggling, this is a canard launched by those who look with suspicion on the economy and its representatives.

[Question] How do you mean that?

[Answer] You see, the export industry is left to organize itself and to perform very complicated processes of purchasing, producing, financing and selling goods and then to export them and collect for the goods abroad. This is a long route and under present conditions it is particularly complicated. But no one is afraid nor charging that those goods or that money is being smuggled. But when it is a question of the right of that industry to enter into agreement with the users of foreign exchange concerning the

conditions of using perhaps only 5-10 percent of the value of its total output on the basis of the standards of society and self-management discussion and agreement, then someone has the nerve to talk about smuggling. This is also insulting. If concluding a self-management accord between exporters and importers about the use of foreign exchange is smuggling, as some say, then in good conscience we can say that administrative distribution of foreign exchange, that is, confiscating income from some and giving it to others, is smuggling squared.

Goods Are 'Fleeing' to Other Markets

[Question] You say that foreign exchange is being "distributed" administratively. Where is this done, how?

[Answer] It is usually done in the chambers and in the SIZ. Anyone who has no other way of seeing what this looks like can merely come to one such "distribution." As a rule the demands of the economy for foreign exchange are twice or three times as great as the foreign exchange that is available. At the same time, success is rarely achieved in finding firm criteria governing distribution, though here again the active exporters are supported more in words than in deeds. The whole debate seems unprofessional and above all contrary to self-management.

[Question] Can you speak a bit more concretely about how active exporters are getting along in the other republics?

[Answer] I am familiar with the situation in the neighboring republics, Slovenia and Serbia, where active exporters are doing considerably better than in Croatia. Active exporters in Slovenia, for example, dispose of 95 percent of the foreign exchange they earn from exports. Incidentally, the payments-balance situation in that republic is better than ours, which can certainly be related to the larger exports, which are the result of the better incentives for active exporters. Also, it is a fact familiar to quite a few representatives of the economy that a certain amount of export goods from Croatia go to certain other republics (mostly Slovenia), and they are exported from there as Slovenian exports. Our manufacturers do this because the Slovenian exporters, who have greater rights, can furnish the owners of the goods more than exporters who have smaller rights. The situation is similar with stimulation of active exporters in Serbia. In any case, our own SIZ certainly knows all about this.

[Question] Do representatives of the economy in those two republics agree on the sharing of losses incurred in exporting?

[Answer] This is normally done, since it is quite clear and publicly stated to what extent importers using foreign exchange must reimburse exporters, as the earners of the foreign exchange, for losses incurred in exporting. This was written about in the press and talked about on television. It is a matter for agreement, it is all out in the open, no one talks about smuggling nor threatens with inspectorates and penalties....

[Question] What have you done to get the proposals on certain improvements in the earning and distribution of foreign exchange to the most responsible bodies in the republic?

[Answer] We have presented all our proposals in writing to the competent bodies of the government and SIZ. Our basic proposal is that the SIZ Assembly be called into emergency session and that this SAS concerning imports and rights to use foreign exchange be amended so as to grant greater rights to active exporters in Croatia, or at least that those rights should be similar to those in other republics. We have also frankly warned some of the comrades bearing the highest responsibility, giving them examples, about the negative impact of the present situation on the republic's balance of payments.

We have also sought solutions through the delegate base, and, clearly, through self-management channels. I would particularly like to emphasize that these efforts of ours should not be regarded as some kind of criticism for the sake of criticism, since they are far from that; this is an honest attempt to contribute to correct assessment of certain relations in the field of foreign exchange transactions in our economy and our republic. Especially since our proposals are not demands which cannot be met, since we are not asking either for an overnight rise of labor productivity nor any expensive credits running into the billions. It is a question of improving the system and improving operation, but also of conducting transactions within the framework that has been generally accepted.

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CSO: 2800

SLOWDOWN IN SLOVENIAN PRODUCTION, EMPLOYMENT

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 8 Sep 80 p 12

[Excerpt] In the last 7 months Slovenian industry increased production by only 2.5 percent compared to the same 1979 period. July was the most unfavorable month when production was 5.2 percent less than July 1979. The main reasons are irregular supply of raw materials, producer goods, and parts (not only from imports but from domestic production), and the worsening situation in regard to financial liquidity, especially at the beginning of the year. Organizations of associated work reported that the supply situation worsened from month to month. According to estimates, in over 50 percent of economic organizations the supply of imported materials and parts was unsatisfactory, while over 10 percent said the situation was critical. Demand for industrial products (for foreign and domestic buyers) is more or less satisfactory. Considering that industry has considerable unused capacities, one can conclude that it could increase production markedly and sell it, if it only had sufficient raw materials, producer goods, and parts.

The difficult supply situation, restrictions in investments and personal incomes, as well as the insistence on abandoning "extensive employment," have contributed toward slowing down considerably the increase in persons hired which has also resulted in lower growth in volume of production; because of the relatively low level of automation, production growth to a large extent still depends on increase in employees, above all in direct production. But in the first half of this year the monthly average increase in employees in industry (including mining) increased by only about 1.5 percent, or a little less than 5,000 (to 348,402 compared to 343,406 in the same 1979 period). In earlier years the half-year increase in the number of employees was 2 to 3.5 percent.

Reduced production this July compared to last July was most marked in the following five industrial branches: electric power equipment and appliances (20.1 percent reduction), metals (6.6 percent), furniture (4.4 percent), machinery (3.8 percent), and textiles (9.7 percent). Increased volume of production was registered in chemical products (4 percent), the automotive industry (2.3 percent), electric power industry (5.1 percent), building materials (3.4 percent).

Of greatest concern is stagnation in production of electric power equipment and appliances, one of the most important industrial branches of Slovenia.

CSO: 2800

SLOVENIAN WHEAT CONSUMPTION, PRODUCTION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Sep 90 p 4

[Article by A. Jovanovic: "Grain on the Basis of Shared Income"]

[Text] In Slovenia, according to the estimate of the Slovenian Republic Committee for Agriculture, Forestry and Food, commercial wheat consumption ranges up to 240,000 tons. Approximately 150,000 tons of bread grain is produced in the republic and undergoes processing of that republic's milling industry. The other 90,000 tons are obtained in the form of flour from the other republics.

Slovenia has a shortage of wheat, which is why it has a long-term orientation toward purchasing sizable amounts from the other republics. To that end its organizations have established long-term links on the basis of shared income with work organizations from grain-growing areas--for example, with the Servo Mihalj PIK [agroindustrial combine] in Zrenjanin and the Sirmium PIK in Sremska Mitrovica, so that these organizations deliver about 65,000 tons of wheat annually.

In spite of difficulties in wheat purchases this year, thanks to the actions undertaken Slovenia has managed to provide between 70 and 75 percent of the amounts it needs. Since purchasing is not at yet over and will intensify in the coming period, especially by means of replacing the wheat with corn and flour, it is believed that the needs will be met. That is, the position has been taken in Slovenia that less and less bread grain is to be imported, Ivo Marenk, chairman of the Republic Committee for Agriculture, Forestry and Food, said, among other things, and to halt it whenever possible, which is why efforts are being made to obtain the bulk of the amounts on the domestic market.

It is understandable that an effort is being made at the same time in this republic to diminish its dependence on other regions. This is a large and complicated task, especially since the prevailing view is that the potential of Slovenian agriculture facilitates a predominant orientation toward animal husbandry. The situation on the domestic market--a demand for wheat that exceeds supply--imposes this reorientation.

Surpluses in the Private Sector

Market surpluses of wheat in Slovenia can be expected from the private sector, since the socialized sector has a considerably smaller output, and every kernel goes into the silos. This is especially important if we bear in mind that more than 90 percent of the area is privately owned. This situation argues for the development of cooperation.

A larger supply of wheat cannot be expected to come from expansion of the area planted, but from attainment of higher yields per hectare. There is much room for improvement here, since the yield per hectare in Slovenian wheat production is still relatively low. It also varies greatly, and the socialized sector achieves better results. The opportunity for higher yields lies, then, in the use of better-quality varieties of seed and a more up-to-date technology that meets Slovenia's specific conditions. However, the area planted to wheat will be enlarged, but at the expense of other crops; in the past the area planted to wheat has represented only 32 percent of total area cultivated. Corn, for example, has had a share of 30 percent. An effort is now to be made to increase the share of both these grains--to 40 percent of total area for each.

This year's wheat purchasing has been rather successful thanks to the new prices and the substitution of corn for wheat. To be sure, the results were not as great as expected. The main reason was that the support price of wheat from this harvest was set just before the harvest. However, this year's harvest of 20,000 tons is considerably larger than in previous years. This especially applies to the private sector, from which 5,300 tons have already been taken. It has been noted that this sector is very well organized in some areas, where sizable quantities were obtained, while at the same time there are regions where its growth rate is not satisfactory as yet.

Since a majority of the farms are oriented toward animal husbandry, we were told by Andrej Petelin, president of the Federation of Slovenian Cooperatives, indirect purchasing has yielded the best results. Experience already shows that the private farmers are very much interested in substituting wheat for corn or flour.

In order to achieve better results in the future efforts will be made for the banks to commit themselves on a more long-run basis to the timely supply of funds, and their aid is also very important in the pooling of capital with organizations in the wheat-growing regions--primarily in Vojvodina and Slavonia. This kind of organization of the banks for the purchasing of seasonal surpluses which cannot be covered with internal assets, remains a long-term orientation.

Timely Adoption of Economic Conditions

The activity of Slovenia's grain-growing organizations to establish long-term relations with organizations in the wheat-growing regions will continue as well. The work of services specialized in the promotion of agriculture and opstina staffs is also to be intensified; the staffs will be made up not only of representatives of the opstina and the Socialist Alliance, but above all with members from the ranks of agricultural organizations.

At this moment the preparations for the fall planting are most important, and all of this has been channeled toward higher yields, which would help to create more abundant market surpluses. In this respect much is expected from staffs specialized in promotion of agriculture and cooperative organizations, especially in writing contracts with cooperators.

Aside from the economic conditions for the production of wheat, corn and other field crops, there is also a need to adopt measures in good time for the production of milk and livestock. After all, this arouses the motivation of farmers to achieve higher productivity and better results.

Along with the measures being taken by the self-managed special-interest community for economic relations with foreign countries, it is important to see that proper soil and crop practices accompany the fall planting. That is, there is at the moment a shortage on the market of manufactured fertilizers and chemicals used for plant protection because they are being exported. In order to avoid importing wheat and other crops, solutions will have to be found so as to meet farmers' needs.

Finally, a set of measures is being taken in Slovenia to achieve more successful results next year, since 1981 is the start of the new medium-term plan. Certainly it is necessary to achieve adequate productivity and thereby higher income in agriculture, which would be a substantial contribution to stabilization developments.

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AGRICULTURAL PROBLEMS, FALL PLANTING IN CROATIA

Zagreb VJESNIK in Serbo-Croatian 18 Sep 80 p 5

[Article by Milivoj Stipanicic: "Purchasing in Every Village"]

[Text] The official figures, which show that the total wheat harvest in Croatia this year is 1,125,400 tons and that the republic's needs for consumption (as human food) should be approximately 600,000 tons, might give a mistaken impression that everything is in order, that there is no concern about bread.

That is not the case. This harvest, even with the exceptionally favorable social measures to increase purchases and the undoubtedly improved organization of the purchasing effort, so far has not yet yielded the planned market surpluses, and at present there is still a need for further intensive purchasing of wheat. Especially from the private sector, where, according to estimates, about 500,000 tons of harvested wheat is "lying," a portion of which still might go into the market surpluses. Grain which does not appear as a market surplus follows altogether different routes, and usually becomes livestock feed.

Balances

Here, then, is an extremely good reason for continuation of the effort to purchase wheat, which among other things was debated on Wednesday by the republic staff for harvesting, purchasing and planting. The principal aim is to fulfill the purchasing program, whose target is 600,000 tons, and at present we are only a step from achieving that target, which eliminates the need to import wheat from abroad to meet Croatia's need. The flow of wheat from Croatia to the other republics is approximately covered by purchases in Vojvodina, and there are no major problems here.

It is estimated, then, that about 400,000 tons of wheat from Croatia will be sold, and it is calculated that nearly 50,000 tons of wheat and flour will be purchased in other republics (that is, Vojvodina). Consequently, the level of fulfillment of the target for purchasing market surpluses of wheat is crucial as to whether we will have to reach into our scanty

reserves of foreign exchange to make up for a possible shortage in the wheat balance through imports.

Headers

The header is a machine for harvesting corn which at harvesting time is mounted on general-purpose grain combines so that they can harvest corn. So, these attachments which make it possible to use a combine in harvesting corn are now jeopardizing the program for the fall planting. It will be late anyway, because a portion of the areas now occupied by corn will become available at a late date because of the extended growing season of corn.

But if the harvest is not rapid and efficient, this delay could truly jeopardize the considerably larger program for planting fall crops. Without combines there is no fast harvest, and they are short 100 headers in the combines of Slavonia and Baranja, which means at least some 100 combines which are not at present ready for the harvest.

These devices are a domestic product (Zmaj of Zemun), but since Zmaj also has large export obligations, it is not certain at present whether it will be able to deliver the headers to our combines or not. Interventions, agreements, petitions and assurances have followed one upon the other. At present this is an outstanding problem, much greater than it appears at first.

Fertilizer

The augmented planting plan, however, is threatened most seriously by the shortage of manufactured fertilizers. Repair of the INA [Petroleum Industry of Zagreb] plant in Kutina delayed delivery of amounts of manufactured fertilizers for the subsequent period, which were already too small, so that in spite of the efforts being made at Kutina, it is obvious that even the most necessary amounts of manufactured fertilizers have not been furnished for the planting. The permission granted to import 13,000 tons of fertilizer was late, but even when we include future deliveries from INA (45,000 tons?), this will not be enough even for the initial applications.

Confronted with this situation the republic staff is preparing a report for the Executive Council of the Croatian Assembly, since it is obvious that it will have to intervene with a supplemental importation. The staff also recommends adaptation of the production technology to the conditions of the shortage of fertilizer, which could yield at least partial results. Those who have rights to foreign exchange (the combines who have delivered market surpluses of wheat over and above the need of their own milling) will probably use a portion of their foreign exchange incentives to import manufactured fertilizers, but Zitozajednica is also preparing a survey of the pattern of deliveries up to now, on the basis of which the Republic Committee for Agriculture, in collaboration with other authorities, will prepare a proposal for utilizing those opportunities as well.

There are no major difficulties with seed. It is disturbing that there is little concern about replacement of commercial wheat with seed wheat, which would improve purchasing, and at the same time it would expand the use of better-quality varieties of wheat. One of the recommendations of the staff for planting also concerns dissemination of this practice.

Area (in Hectares) and Pattern of the 1980 Fall Planting

		1979 (actual)	1980 (plan)	Index 1980/1979
Wheat	Socialized sector	96,094	105,000	109.3
	Private farmers	249,294	250,000	100.3
	Total	345,388	355,000	102.8
Winter rye	Socialized sector	1,096	1,000	91.2
	Private farmers	5,179	5,000	96.5
	Total	6,275	6,000	95.6
Winter barley	Socialized sector	14,065	14,500	103.1
	Private farmers	23,899	25,000	104.6
	Total	37,964	39,500	104.0
Rape	Socialized sector	16,702	24,500	146.7
	Private farmers	295	700	237.3
	Total	16,997	25,200	148.3
Other fall planting	Socialized sector	983	1,400	142.4
	Private farmers	15,526	14,300	92.0
	Total	16,509	15,700	95.1
Total fall planting	Socialized sector	128,940	146,400	113.5
	Private farmers	294,193	295,000	100.3
	Total	423,133	441,400	104.3

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PRIVATE, SOCIALIZED AGRICULTURE IN SERBIA, KOSOVO

Agriculture in Serbia Proper

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Aug 80 p 29

[Text] According to analyses made in the Executive Council of Serbia, the average landholding of the peasant farm in Serbia proper is 3.7 hectares scattered over more than eight parcels and located in four atars. There is no interest in the purchase and concentration of land. There are few land sales. Nor are the socialist farms interested in buying land, they do not even have the funds to buy the land offered them. From the standpoint of the optimality of agricultural production, the pattern of landholding in Serbia proper is the most unfavorable in Yugoslavia and in Europe. Because of urbanization, construction of highways and settlements along them, weekend cottages and playing fields, about 10,000 hectares of cropland, usually the most fertile areas, is taken out of agricultural production every year. About 70,000 hectares are not being cultivated. The average age of the working farmer is 55. About 10 percent of the private farmers have entered into associations. The share of purchases in total output of the private sector is about 10 percent for wheat and about 2 percent for corn.

Agricultural organizations and cooperatives possess 5.7 percent of all the cropland in Serbia proper, about 4 percent of all the cattle and about 6 percent of all the hogs. In a comparison of all regions in Yugoslavia socialized farms in Serbia proper have the lowest share in the social product of agriculture, and they have the second lowest share, after Montenegro, in total cropland. The socialized sector's share in total purchases of farm products is slightly over 30 percent. The capacities of the food manufacturing industry are poorly developed in the regions where their raw materials come from; more than 50 percent of the capacity is in Belgrade. With respect to the degree of industrial processing of farm products the food manufacturing industry of Serbia proper is in next to last place in the country and processes less than 50 percent of the harvest. The equipment and technology of the food manufacturing industry have been lagging behind; for example, not a single packinghouse fulfills conditions for export to the American market.

The republic's executive council is preparing an extensive report portraying the situation and offering recommendations whose implementation would alter the situation in the agriculture and food manufacturing industry of this region. The title is Socioeconomic Problems of Food Production in the Coming Period in Serbia Proper.

Agriculture in Kosovo

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 25 Aug 80 p 29

[Text] The private sector of Kosovo's agriculture has a share of 20 percent in the province's social product of the economy, while more than 45 percent of the population derives their existence from agriculture. More than 88 percent of all cropland in Kosovo is privately owned, and that land accounts for about 98 percent of the livestock population, 80 percent of the orchards and more than 50 percent of area planted to grapes. The importance of the private sector of agriculture to development of Kosovo's overall economy is evident from these figures, and that is why the provincial fund for advancement of agriculture was set up in good time (1972). So far (up through last year) 270 million dinars have been invested in the private sector of agriculture through the fund, the assets of the fund constituting more than 50 percent. Usually the funds are furnished on a nonreturnable basis--in the form of rebates, premiums and other exemptions. Considerably more funds have been invested in the private sector of Kosovo's agriculture from the federal fund and the International Bank for Development--a total of 800 million dinars. Moreover, 240 million dinars have been invested under the program for building up meat reserves in the form of livestock.

Expectations for this year are that 400 million dinars will be invested in the private sector of Kosovo's agriculture from funds of the International Bank for Reconstruction and Development and the federal fund (under the third line of credit), 60 million dinars under the program for building up meat reserves in the form of livestock, and about 25 million dinars through the provincial fund for advancement of agriculture (last year a bit more was invested--about 29.5 million dinars).

This year, as has been the case up to now, the largest investments will be in animal husbandry (meat and dairy), and then also in field crops, fruitgrowing, market gardening, and so on.

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CSO: 2800

POWER POTENTIAL OF TREBISNJICA RIVER TO BE TAPPED

Sarajevo OSLOBODJENJE in Serbo-Croatian 9 Sep 80 p 7

[Article by Vlado Mrkic: "Using the Potential of the 'Upper Levels'"]

[Text] One of the most interesting projects for construction of new sources of energy in Bosnia-Hercegovina, and indeed in Yugoslavia, is the "Project for Utilization of the Hydropotential of the Waters of the Upper Levels of the Trebisnjica's River." It is above all significant because it foresees multiple and complete use of the water of this inestimable and almost sole resource of this part of Hercegovina.

Eastern Hercegovina, though it has abundant precipitation, has always had problems either with water or without it. The abundance of water in the wintertime causes floods, and during the summer the drought regularly inflicts tremendous damage, and human labor has never been secure. The traces of the human struggle with water in this region are very old. Thus the first dam and storage reservoir in the Balkans, built on the Klinje back in 1897, was aimed at reducing floods in Gatacko Polje and at providing irrigation.

Seven Power Plants

Comprehensive exploration began after the war. The first basic water management scheme was adopted for the entire region, and it has already demonstrated that water use would be most effective if applied simultaneously to meeting the needs of the power industry, agriculture and other users. The studies have not been limited exclusively to the watershed of the Trebisnjica proper, but has also extended to other karst poljes and other water resources, since it has been demonstrated that they can be utilized effectively.

In view of the abundance of water, the proximity of the sea, and the relatively great differences in altitude, first thoughts have gone to hydropower use in a time when there is a great need for electric power, but the basic conception of their multipurpose use has always been present.

The new and updated basic water management scheme was prepared in 1967, but its solutions envisage that the water would go off to the sea by the shortest route after passing through the power plants.

Honoring the requirement that the water be retained as long as possible on the surface so that it would also offer other benefits to people, the most recent solutions were arrived at. According to them, a total of seven power plants would be built in the Trebisnjica hydrosystem with six storage reservoirs whose total capacity would be 1,325 million cubic meters of water.

The backbone of the entire system is the Trebisnjica, which once was an underground river. Today it no longer exists. Its source has long been under the waters of the Bileca storage reservoir. Its bed through Popovo Polje has been lined with concrete so as to close its sinkholes and thus transform it into an ordinary canal. Its mouth, if the term applies, is in the penstock of the Capljina Power Plant, and from its lake the water goes into the Neretva, but only when man has no further use for it.

This part of the job has been mainly completed with construction of the Capljina Hydroelectric Power Plant. Floods in Popovo Polje, the largest polje in the karst, which in a year of average rainfall, the specialists say, lasted 240 days and covered as much as 5,000 hectares, have been reduced to only the bottom of the polje, about 500 hectares, and last a few days at a time.

All the Karst Poljes

Now comes the second phase in building the hydrosystem which is to gather the water from all the karst poljes in this part of Hercegovina, beginning with the highest, Gatacko Polje, which is 950 meters above sea level, and then Nevesinjsko at 850, Dabarsko at 480, Fatnicko at 460 and Bilecko Polje at 430 meters above sea level.

The programs of the project for utilizing these water resources have been prepared and revised, and the technical solutions themselves--we were told by specialists of the "Hydroplants on the Trebisnjica" in Trebinje a few days ago--foresee multipurpose use of the water.

So far designs have been made for the Nevesinje pumped storage power plant and the Dabar Hydroelectric Power Plant. These two power plants would have a capacity of 250 megawatts and an annual output of 860 million kilowatt-hours of electric power, which is approximately equal to the annual growth of consumption in Bosnia-Hercegovina.

In the canyon of the Zalomka River, between Gatacko and Nevesinjsko poljes, the project calls for construction of a storage reservoir with a capacity of about 180 million cubic meters of water. Each cubic meter "is worth" 2.3 kilowatt-hours of electric power because of the altitude at which it is located.

The path of the water from the karst poljes will really be unusual. In Nevesinjsko Polje an equalizing basin will be built. From it the water will go by tunnel to the Dabar Hydroelectric Power Plant on the edge of Dabarsko Polje, by canal across Dabarsko Polje, by tunnel from the Dabarsko to the Fatnicko Polje, and from Fatnicko Polje again by tunnel to Bilecko Lake and then by the well-known route to the sea, through the turbines of several power plants.

The value of the entire system will, of course, be fully manifested only after it is completed, after all the structures planned have been built. Only then will every cubic meter of water pass through all the power plants and in each one generate new kilowatts of electric power.

Other Benefits

However, that is not all. This time that further step which often we have lacked in the programming and planning of similar projects was taken. Often in capital investment projects we have evaluated the production of electric power, but we have only enumerated the other benefits. However, cases are not rare when these "other benefits" are worth more than the electric power generated.

It might be said that this conception of the specialists, which is already being carried out in this part of our country, is in that respect among the extremely interesting accomplishments. It is based on the ever more present need for energy and food, and in its basic conception this scheme meets both those requirements.

Regulation of the karst poljes in eastern Hercegovina creates conditions to make all the karst poljes capable of intensive agricultural production. There will no longer be floods, and there will be enough water for irrigation. This resolves the most important problems. Perhaps the magnitude of these resources and capabilities will be demonstrated by the figures that the total area of these karst poljes is about 50,000 hectares, of which 38,000 are tillable. Construction of the large storage reservoirs will make it possible to irrigate them. In certain parts of the areas conditions have already been created for irrigation (Konavli, Zupa, and Trebinjsko and Popovo poljes).

Finally, construction of the Trebisnjica hydrosystem can also solve the problem of supplying this region with drinking water and water for industry. Opportunities are created for construction of regional water supply lines. The formation of storage reservoirs and streams through the karst poljes also furnish conditions for development of new settlements and industrial facilities.

In conclusion, the question is this: When will this vision become reality? It is no longer something to just dream about. What has already been done in Popovo Polje and over the entire course of the Trebisnjica was the first

large step. In coming years the "Upper Levels" Project will present to us a great challenge and great opportunity.

Sketch of the Trebisnjica hydrosystem.

HE = hydroelectric power plant
PHE = pumped storage power plant
RP = switching installation

Key:
1. Adriatic Sea
2. Popovo Polje
3. Popovo Polje regulating basin
4. Svitava regulating basin
5. Zalomka storage reservoir
6. Nevesinje regulating basin
7. Klinje storage reservoir
8. Bileca storage reservoir
9. Grancarevo dam
10. Gorica dam
11. Trebinje regulating basin

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BRIEFS

BUILDERS IN IRAQ--Iraq which is our largest foreign trade partner among the developing countries is of great interest for the construction enterprises of Bosnia-Hercegovina: 48 percent of the construction work which organizations in Bosnia-Hercegovina contracted with foreign countries last year was contracted with Iraq. The value of contracted work last year amounted to $112 million; it is being carried out by the Investprojekt, Unioninvest, Vranica, Sipad, Krivaja, and other enterprises. This year the most work was contracted by Unioninvest, together with Vranica and Centrotrans; work on this project will last 4 years. Despite the success of construction enterprises of Bosnia-Hercegovina in Iraq, Bosnia-Hercegovina's deficit in trade with Iraq has increased 4.5 times this year, because of the increased price of crude oil which accounts for 99.5 percent of total imports from Iraq. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Sep 80 p 3]

IMPROVED BANK LIQUIDITY--In the last few months bank liquidity has markedly improved after it had worsened at the beginning of the second quarter of this year. Especially important is the fact that banks have unexpectedly large foreign exchange reserves. In reporting to delegates of the Committee for the Credit-Monetary System of the SFRY Assembly Chamber of Republics and Provinces, Milan Golijanin, vice governor of the National Bank of Yugoslavia, said that on 31 August the bank had 12 billion dinars, or 25 percent more than in the same 1979 period; it had 19.5 billion dinars in its reserve fund. Favorable liquidity will enable banks to finance social reproduction and to support the volume of sales within planned credit-monetary limits. The status of liquidity varies according to regions, but as a whole it is essentially satisfactory. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 18 Sep 80 p 1]

SLOVENIA-VOJVODINA COOPERATION--In the next medium-term period economic cooperation between Slovenia and Vojvodina will acquire broader dimensions, especially regarding food production and the supplying of Slovenia with agricultural products. At discussions of delegations from Ljubljana and the Slovenian Executive Council with representatives of agroindustrial complexes in Subotica, Sombor, and Senta, attention was devoted to possibilities for joint efforts in food production, as well as other fields such as trade, tourism, the metals industry, energy, etc. where by applying the Law on

Associated Work, i.e., on the basis of joint income and risk, common interests could be found. In addition to agreeing on investment of efforts to increase wheat production in Vojvodina, it was agreed that the cultivation of barley, rye, and oats should be done (through joint efforts) in the hilly-mountainous areas, not only of Slovenia, but of other parts of the country where there is interest in doing this. A similar declaration was made regarding livestock production, especially sheep and cattle raising. Since Vojvodina has to use secondary raw materials from direct agricultural production as a substitute for corn to produce animal feed and Slovenia has essential organic components for feed derived from purification of waste water, mutual interest also exists in this regard. There is also the possibility for building joint commercial centers, not only in Ljubljana, but also in other Slovenian cities where more Vojvodina agricultural products could be sold. Similar moves would be made in regard to tourist facilities. Joint efforts were also suggested in raw material production for the textile, metal processing, and wood industries; in regard to energy, it was said that joint efforts should be made in other regions, such as investing in coal production in Bosnia-Hercegovina. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Sep 80 p 1]

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October 29, 1980

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